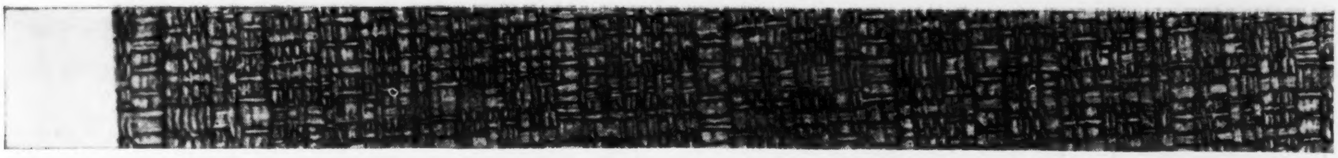
MANAGEMENT METHODS

NOVEMBER 1956

PRACTICAL SOLUTIONS TO ADMINISTRATIVE PROBLEMS

IN THIS ISSUE



DU PONT PRESENTS

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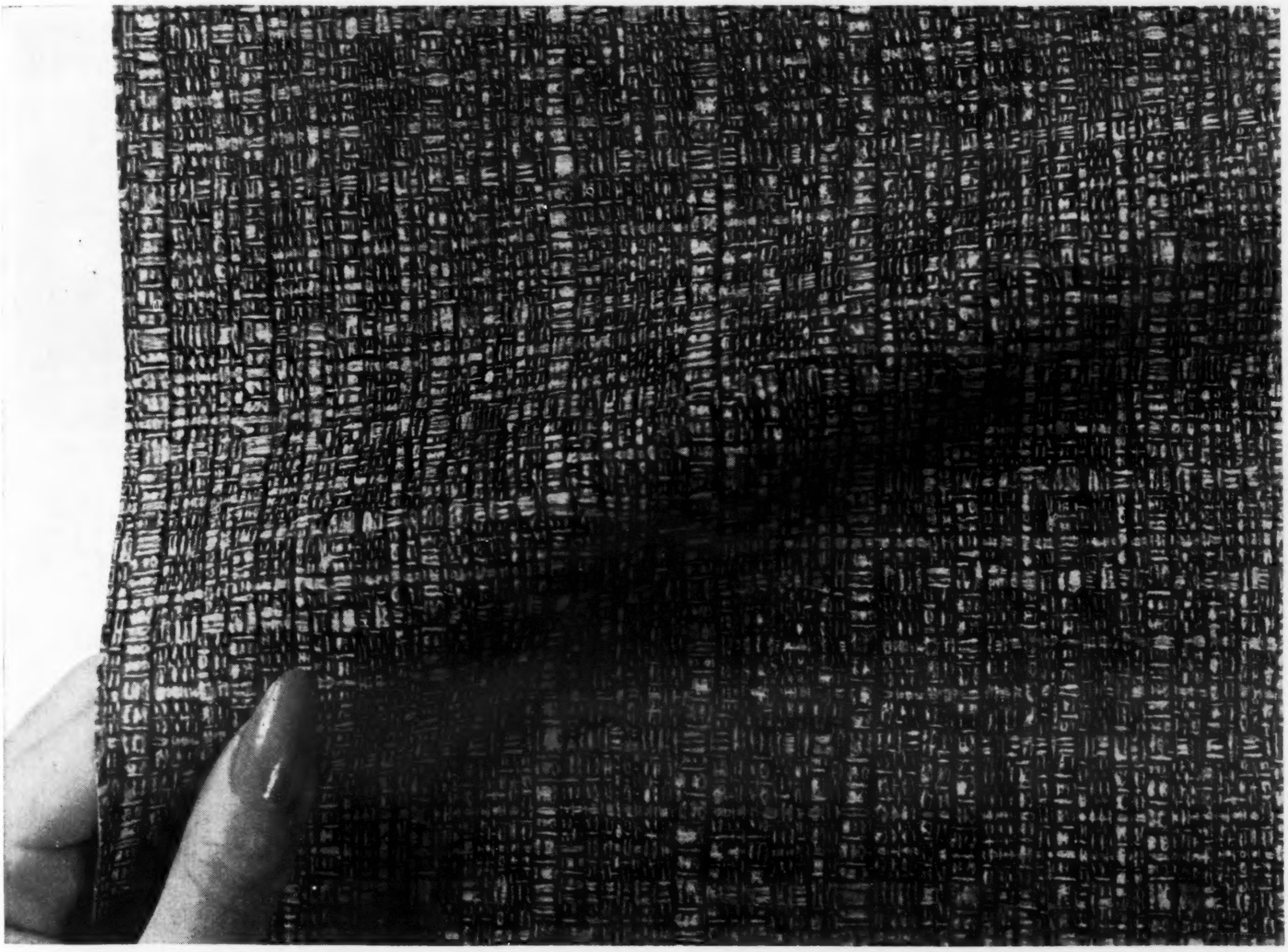

Breathable vinyl upholstery offers soft comfort for furnishings that get heaviest use

This is Cambodia†—newest pattern in breathable, durable Du Pont "Fabrilite"* vinyl upholstery. Choose from 14 popular decorator colors—deep-tone hues and soft pastels—to add a fresh, exotic look on furnishings that get heavy traffic. Exclusive Du Pont formulation resists soil and wear, yet drapes for easy fitting and supple luxury Thousands of invisible pores breathe for soft, yielding comfort. Write for sample swatches to E. I. du Pont de Nemours & Co. (Inc.), Fabrics Div., Dept.MM-611, Wilmington 98, Del.

*"Fabrilite" is Du Pont's registered trademark for its elastic-supported vinyl upholstery. †Design patent applied for.

There's no vinyl upholstery like *Breathable*

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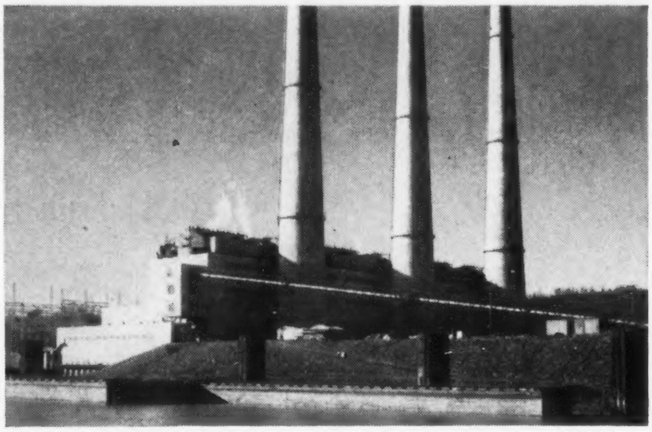
elastic-supported vinyl upholstery

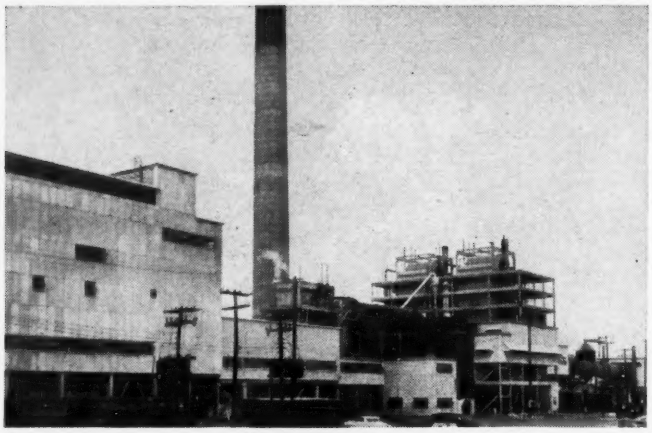
BETTER THINGS FOR BETTER LIVING . . . *THROUGH CHEMISTRY*

(Circle 729 for more information)

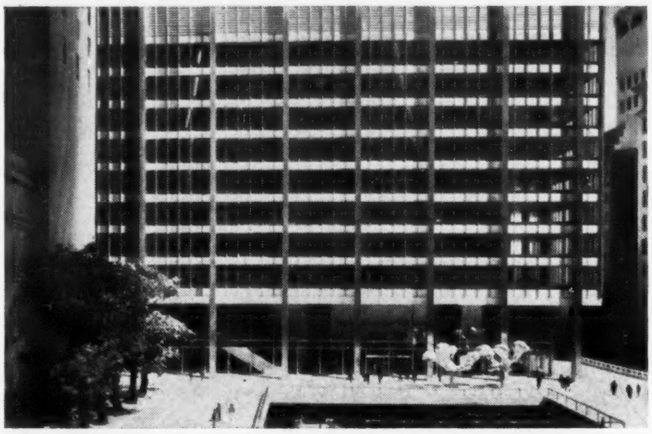
The Prudential Insurance Co. of America's Mid-America Home Office, Chicago.

Indiana-Kentucky Electric Corporation's new Clifty Creek Plant, Madison, Ind.





Rayonier Incorporated's Jesup, Ga. chemical cellulose plant—world's most modern.



Chase Manhattan Bank Project—Head Office Building in downtown N.Y. (model).

Skyline changes take down-to-earth planning

WHEN PLANNING Workmen's Compensation Insurance for mammoth constructions like these, today's builders recognize the unique facilities offered by The Travelers.

Its engineering and inspection services have kept safety records high and accidents low ever since The Travelers pioneered this form of protection.

But there are other important reasons, too. The Travelers maintains a complete Employee Rehabilitation Program to preserve the human values which are involved. And The Travelers' expert claim service and underwriting know-how are assets which cannot be duplicated.

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You will discover that The Travelers' unequalled staff of safety engineers, inspectors and claim people stand ready to serve you in every kind of enterprise where Workmen's Compensation Insurance is being written.

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(Circle 769 for more **information**)

MANAGEMENT METHODS

NOVEMBER 1956 · VOLUME 11 NO. 2

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DEPARTMENTS AND SHORT FEATURES

COVER *and all photos in Profile of a New Kind of Manager by Ernest Reshovsky*

MANAGEMENT METHODS
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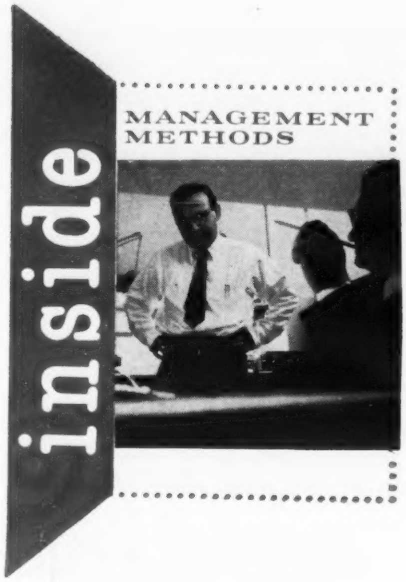
CHANGE OF ADDRESS: The publisher should be notified immediately of all changes of address. Please attach the old address label when making change of address notification.

Policy re manuscripts: *The object of MANAGEMENT METHODS is to offer practical solutions to administrative problems. For that reason we never highlight a problem without offering at least a partial solution or a recommended course of action. Whenever possible, we like to offer the reader something he can do right now to correct a procedure or solve a problem in his business.*

Much of our editorial material comes from business and management specialists, as well as from active businessmen, at all levels of management.

We endeavor to return all manuscripts. However, we assume no responsibility for material not specially requested by us.

How a "scoop" is made



All logic tells us that it's impossible to announce a "scoop" a month in advance—without defeating your own purpose. Maybe so. We'll let you be the judge.

About 60 days ago, we earmarked Robert E. Lewis, President of Argus Cameras, as a likely candidate for our series, Profile of a New Kind of Manager.

Preliminary research uncovered the following facts:

In 1949, Argus got a bloody nose as a result of an ill-advised attempt at diversification. Lewis was called in to get the corporate house in order. In a few years he took Argus—a relatively small firm—up to a new position, had it operating at an all-time high level of effectiveness.

Collaterally, we found out that the present-day Argus is making use of ultra-scientific management and operational techniques—things like linear programming, operations research, statistical sampling for inventory control.

The story sounded good. Moreover, we had indication of Lewis' willingness to devote the very considerable amount of personal time required to help us build our profile.

We set March, 1957 as a target date for publication of the story, then told our researchers to start digging deeper, in preparation for an editor's trip to Ann Arbor to see Lewis personally.

But then the bubble broke. In September, financial pages all over the country announced the impending purchase of Argus by big, fast-growing Sylvania Electric. Since we're hardly interested in telling you "how to get swallowed by a bigger fish," we were ready to drop the article.

But one of our editors had an idea. "Is it possible," he asked, "that Sylvania is buying Argus to get Argus' management?" Since Sylvania itself has a well-earned reputation as a smart, scientifically managed firm, this angle seemed to make sense.

We phoned Argus, talked to some of the people there. "What about the management-buying idea?" we asked. Is it a factor? They wouldn't say *yes* and they wouldn't say *no*.

The next move was clearly ours. Within hours, our executive editor had stuffed every available word about Argus into his briefcase and was on a plane to Michigan. On October 4, he returned with two reels of tape recorded questions and answers—the result of his private and lengthy interview with President Lewis. A playback of the tapes and we knew we had our scoop. The story's different from anything we even suspected.

On November 21, the stockholders of Argus will approve or disapprove the acquisition of their company by Sylvania. We're betting they'll approve—and we're climbing away out on a limb by going on press with our story a few days before the vote. Thus, by December 1, the story will be in the mails to you—as the lead article in our December issue. It's the story of what makes Argus a good buy for Sylvania, and vice versa.

point and counter point

LETTERS TO THE EDITOR

SIR: A friend of mine showed me your MANAGEMENT METHODS magazine. I intended to "look it over casually" but found myself reading it so thoroughly that it moved from the "casual" category of most magazines into the "tops" category of the few.

It is indeed very rare for me to want to write a "letter to the editor"; it is rarer yet that I actually do it. In the case of your publication I simply must do it because of the wealth of outstanding material your MANAGEMENT METHODS contains.

You may be interested in knowing that I have almost completely dismantled the magazine distributing various articles to different associates of mine.

I would consider it a real favor if you can add my name to your distribution list. We are manufacturers of commercial refrigeration distributed nationally from our five factories employing 700 people.

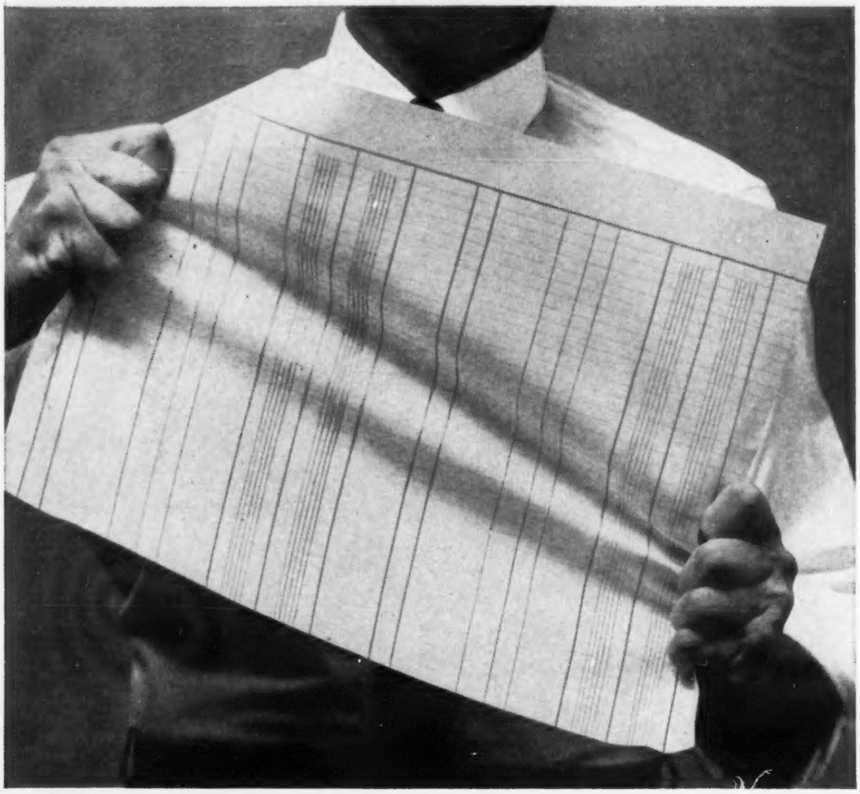
EDWARD E. HARRIMAN
PRODUCTION CONTROL MANAGER
VICTOR PRODUCTS CORP.
HAGERSTOWN, MD.

This letter gives us another opportunity to explain our circulation procedures. To qualify as a recipient, a man must be a top operating manager in a firm of at least 100 employees. After sending the magazine 12 months, we ask him to "verify" his readership. Once he verifies, we ask him to re-verify every 18 months. If a recipient fails to verify, his name is dropped from our lists, and another qualified name is added to replace it. Non-qualifying individuals can purchase subscriptions at $5 per year.

EDITOR

SIR: I just read your article on page 34 of the October issue of MANAGEMENT METHODS suggesting that it is cheaper to lease a plant than to build it.

This is a perennial subject of discussion and no one yet, including you, has ever been able to present a case showing a profit on a lease of this



nature. If, of course, the individuals supplying the capital and the building, lease it for less than their cost, you might show a profit, but otherwise this would be impossible.

None of your figures gave any value to the growing equity in a building which a company owns, and you likewise make no allowance for the almost unbroken increase in building costs from which the owner of a property benefits but from which a lessee gets no benefit.

I have worked this problem out many times and it is always cheaper to build and own your own building if you have funds available or can get them. You might also keep in mind that nobody builds a plant for rental to someone unless he expects to make a profit on it. At a minimum the lessee can count on saving that profit, and at a maximum he may save considerably more.

JOHN MOXON
VICE PRESIDENT AND TREASURER
THE CARPENTER STEEL CO.
READING, PA.

■ *The "net lease" plan described in our October issue is designed to benefit the company that wants custom-built facilities but does not possess the capital to build or purchase such a building.*

EDITOR

Profile article

SIR: From time to time a number of articles about our company have appeared in business publications, but never before have I so enjoyed reading one of them.

To assimilate such a mass of material into a single, cohesive article could not have been easy. You have done it skillfully in a story that is well written, thorough and accurate. I am especially grateful for your understanding and emphasis on the participative character of our management.

My sincerest thanks for your perceptive interpretation of our planning program, and my congratulations on a fine issue and a fine magazine.

CHARLES H. PERCY
PRESIDENT
BELL & HOWELL CO.
CHICAGO

Engineer shortage

SIR: I was very mueh impressed with your article in the August issue of MANAGEMENT METHODS entitled "4 More Ways To Solve The Engineer Shortage." The article was fine, but I believe your writer has overlooked a very important additional source of engineers.

In the article emphasis was placed

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First truly portable dictating instrument gets work done while you're on the move

Don't let its small size fool you. You're looking at a full-power dictating instrument.

A marvel of electronic engineering, this new 6 lb. SoundScriber "200" is so compact you can tuck it in your brief case, wear it like a camera, lock it in the glove compartment of your car.

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Its power supply: any 110-volt AC outlet. Or, in your car, with available converter. Smart in design, it's sturdy, too—built to take the knocks of travel.

Most important, this new SoundScriber "200" is a full partner to all existing SoundScriber installations. Records at 33⅓ RPM to bring you the extra advantage of "voice correspondence" through home phonographs.

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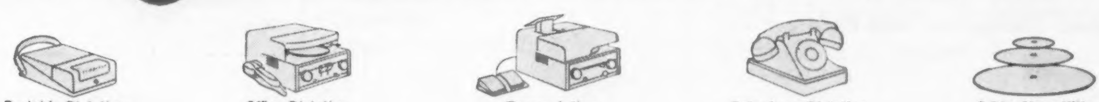

(Circle 764 for more information)

on "working with colleges" in the training of engineers. This also is good as far as it goes but our greatest problem today seems to be in getting an additional source of engineers. By no means are we exhausting the great potential that is available. For example, the National Manpower Council's Report on "A Policy for Scientific and Professional Manpower" made the following startling report: ". . . fact that among those individuals with the most aptitude for learning—those who score on intelligence tests in the upper 6% of the population—less than one-half graduate from college."

Furthermore, in an address given by Neil McElroy, recently Chairman of the White House Conference on Education, he stated: "We might expect to find that practically all high school graduates who rank among the top 25 per cent of their class would be going to college. The fact is that one out of every three in this top-ranking group is *failing* to go further. Additionally, there are many others below this top 25 per cent whose latent talents for leadership are being lost because we do not discover them and motivate them to go onto higher education."

For years, and without a great deal of publicity or fanfare, I.C.S. and other correspondence schools have been training engineers and engineering aides. For example, one-third of the engineering staff of Struthers-Wells, a Pennsylvania concern, received all or a part of its training with I.C.S. In a recent survey of the schools represented by the engineers of Lockheed Aircraft, I.C.S. placed third in the number of former students. With an estimated shortage of 30,000 to 40,000 engineers a year, I.C.S. and other correspondence schools can help reduce this number by technically training the manpower of our country.

In a recent survey of the largest companies in the United States, 7 out of the first 10 and 72 out of the first 100 had training programs with the I.C.S. A number of these firms are using I.C.S. training for draftsmen, engineering aides, and for other positions for which these firms normally sought only college graduates. For example, we cooperated with RCA in the Camden Plant on a program for upgrading drafting personnel by using I.C.S. correspondence drafting instruction material.

Incidentally, in quoting Dan A. Kimball in your article, you may be interested to know that he is a former I.C.S. student.

JOHN C. VILLAUME
EXECUTIVE VICE-PRESIDENT
DEAN OF THE FACULTY
INTERNATIONAL CORRESPONDENCE SCHOOLS
SCRANTON 9, PENNSYLVANIA

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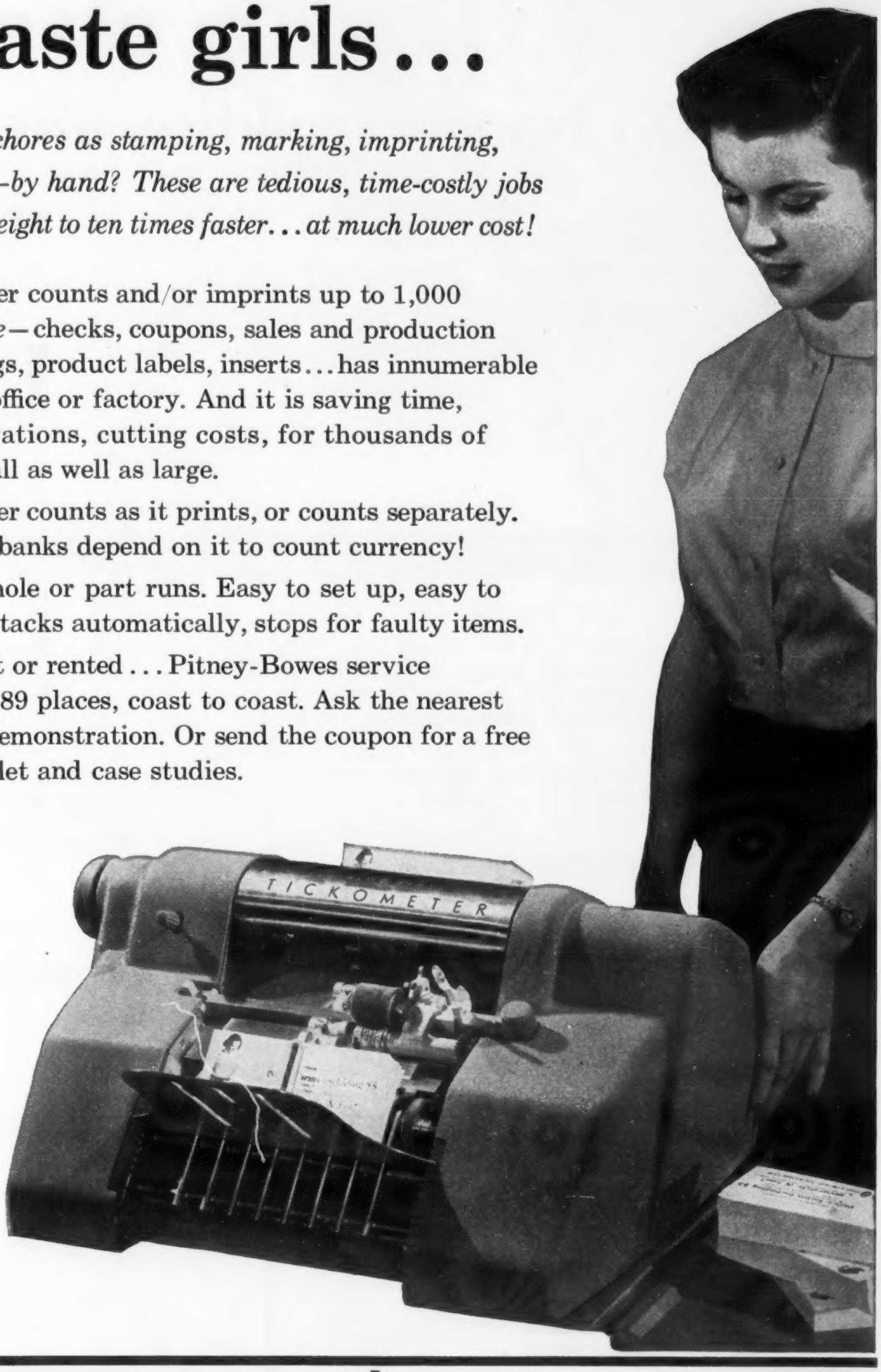
on such routine office chores as stamping, marking, imprinting, cancelling, coding—by hand? These are tedious, time-costly jobs that a Tickometer does eight to ten times faster... at much lower cost!



- The Tickometer counts and/or imprints up to 1,000 pieces *per minute*—checks, coupons, sales and production slips, tickets, tags, product labels, inserts...has innumerable applications in office or factory. And it is saving time, expediting operations, cutting costs, for thousands of companies—small as well as large.
- The Tickometer counts as it prints, or counts separately. It's so accurate banks depend on it to count currency!
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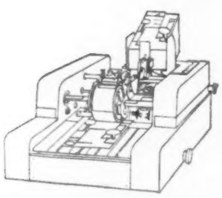

New Package Imprinter

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(Circle 756 for more information)

Do transit facilities affect location

Except in the largest cities, employees no longer depend on public transportation to get to work—they use their own cars. Thus there's one less factor to consider in selecting a plant location.

Is public transportation for employees an important factor when selecting a new plant site? Not at all, according to a survey just completed by MANAGEMENT METHODS, because only 3% of employees reported using public facilities.

Companies throughout the country, with plants built in the last 18 months, were questioned. More than 86% of the responding firms

WHAT THEY SAID

This survey covered firms with new locations in these areas: rural—32%; fringe city—28%; suburban—20%; industrial—19%; business—1%. The firms are located on major highways—53%; local highways—24%; and local streets and roads—23%.

1. Did availability of public transportation influence your choice of a new location?
   - YES 13.3%
   - NO 86.7%

2. Is there any available public transportation in your area?
   - YES 34.7%
   - NO 65.3%

3. Was any attempt made to re-route buses or add special station stops?
   - YES 8%
   - NO 92%

4. If this attempt was made, was it successful?
   - YES 50%
   - NO 50%

5. If public transportation facilities are available, do employees actually use these facilities?
   - SOME DO 87%
   - NONE DO 13%

6. Did your company help set up driving pools?
   - YES 25%
   - NO 75%

7. Does your company provide employee parking space?
   - YES 98.7%
   - NO 1.3%

8. If you do provide parking space, is it adequate?
   - YES 97.3%
   - NO 2.7%

9. Employees (averaged) in each responding company who—
   - USE PUBLIC TRANSPORTATION 3%
   - DRIVE TO WORK IN OWN CARS 63%
   - RIDE IN SOMEONE ELSE'S CAR 34%

# of plants?

paid *no* attention to the availability of public transportation in choosing their new location. Reason: almost all employees drive to work in automobiles.

Even the 13.3% of the companies who did consider public facilities as a factor paid them little attention in finally choosing their locations. This was revealed by the fact that most of these companies reported a general lack of public facilities in the location they actually chose.

The findings of this survey—that public transportation is unimportant—may indicate a significant trend. In the past, many experts have held that the availability of travel facilities for employees constitutes a prime requisite to a good local labor supply. But look at the present facts: with the exception of large cities like New York and Chicago, private autos largely erase the need for other transportation to get people to work.

A corollary finding of the survey further explains the diminishing importance of public facilities to new plant sites: 80% of new plant buildings are located in rural, suburban, or fringe city areas. It is estimated that the average family in these areas has 1½ cars. Thus the car is naturally the major means of getting to work.

Again, this is not true of large cities like New York and Chicago, where relatively fewer cars per family are owned, and traffic and parking facilities are inordinately poor. But on a nationwide basis, public transit is on the wane.

Since 1946, 120 cities in the United States have lost their transit systems, according to estimates by The National City Lines of Chicago. *In almost 60 small cities which had bus service last year, there is now no service at all.* This means that private cars and taxis provides all transportation.

Even the larger cities have ex-

perienced a drop in the use of public transit facilities. Figures from the American Transit Association show almost a 52% drop in annual transit rides since 1945. On a total urban population base, annual rides per capita have dropped from 312 to 124—a 60% decrease. The big cities—over 500,000—are involved too, with a 48% drop in total annual transit riders since 1945.

The trend is more than a trend. It is an ever-growing move away from the big industrial cities—an expansion into the relatively undeveloped areas of the country. This concept is further supported by the fact that 65.3% of the reporting companies in the MANAGEMENT METHODS survey have *no* available public transportation facilities in their areas.

Industry is evidently aware that their employees in rural and suburban areas have personal means of conveyance. Of the 97% of employees who reportedly drive to work, 63% drove their own cars, while the remaining 34% are part of car pools. Company programs for setting up of car pools are reported by 25% of the respondees, while 98.7% provide parking facilities for employees' cars.

What does all this mean to a company planning to relocate? It means that the labor supply is not dependent on public transportation. It means that rural and suburban areas that offer other prime location attributes are not and should not be discounted because of a lack of public transit facilities. The fact that only 3% of new plant workers use public facilities places a new perspective on the evaluation of potential plant sites.

WHAT THEY SAID

A review of current surveys

Salesmen's Income Rising

Field salesmen for manufacturing companies increased their earnings by an average of 3½% last year, according to a survey by the American Management Association.

The study analyzes the compensation paid to more than 17,000 line sales personnel in nearly 200 companies between the spring of 1955 and the spring of 1956. Positions included are those of sales trainees, three grades of salesmen, sales supervisors, and district and regional sales managers.

More than three-fourths of the salesmen covered in the survey earned between $5,000 and $15,000 last year.

Salesmen receive incentive compensation in the form of bonuses and commissions in 77% of the companies. Base salaries are lower when bonuses and commissions are also paid, but the survey confirms that fact that salesmen on such incentives fare better in total compensation than do salesmen on salary only.

Electric typewriters preferred

Six out of ten office typists today prefer an electric typewriter to a standard machine, reports a leading typewriter manufacturer.

In a study of typists in 34 principal cities throughout the U.S., 59.9% of those interviewed favor electric models.

Explaining their preference for the electric, typists cited ease of operation and "less fatigue" as the features that appealed to them most. m/m

too good to miss

Management shortage

Despite a noticeable increase in the number and capabilities of managers, prospects for the future do not indicate that the increase will keep pace with economic expansion. We are facing the greatest shortage in management that this country has yet experienced. . . .

. . . managers must have particular qualifications, skills, tools, and a continuing program of training to meet the requirements of management. . .

No less than a quarter of a million managers will be in formal sessions this year for the purpose of learning more about the profession of which they are a part. This is the biggest "back to school" movement in history.

The more men exchange experience and philosophy on how they do their management job the better they will be.

LAWRENCE A. APPLEY, IN THE 1955-56 ANNUAL REPORT OF THE AMERICAN MANAGEMENT ASSOCIATION.

How to build a management team

Suppose we are setting up a manufacturing enterprise to produce and sell a product. We have brought together the following—an engineer, a salesman, a manufacturing man, and an accountant. Each man, we will assume, is capable in his field and can fill his job.

(1) We must have men who represent in combination the skills and abilities required by the enterprise.

(2) One of these men, or a fifth man, must emerge as a recognized leader.

(3) There must be mutual respect of each individual for the others—this does not imply a blindness to the individual's shortcomings, nor a wholehearted acceptance of their individual strengths. It must develop into a mature objective relationship where each man thinks in terms of the success of their common enterprise.

(4) There must develop a climate of give and take which allows for common and free discussion during the formative stages of a key decision, and the willingness individually to accept and implement the decision once

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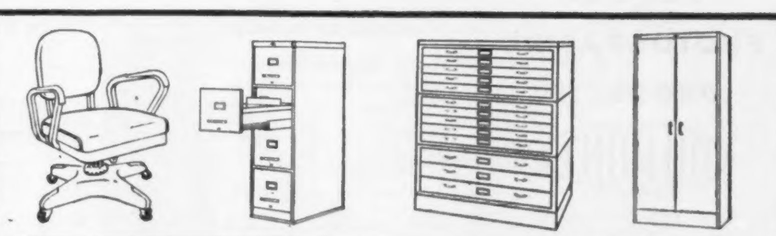


(Circle 711 for more information)

arrived at, even though the leader must finally make a compromise decision that has strong opposition from one or more individuals.

(5) Each man must accept and carry out the full responsibilities in his individual area—feeling free to consult with his team members, but accepting the full responsibility for his decisions as they are made. Each member, therefore, has both the freedom of decision in his area, and full participation in the discussion stages of key decisions involving the enterprise.

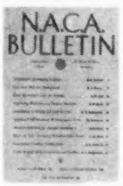
(6) The leader must define and win the group's acceptance of the objectives of the enterprise. He must continually measure and assess the performance of the individual team members in their effectiveness in attaining these objectives.

(7) Each individual must feel that he is a full partner and is being treated fairly—his rewards and contributions must balance with his associates.

(8) Each man must be willing to do anything within reason to help overcome difficulties, even though the difficulties originated from a deficiency in another area.

J. H. GOSS, PRESIDENT, CANADIAN GENERAL ELECTRIC COMPANY LTD., TORONTO, FROM "INDUSTRIAL CANADA," JULY, 1956.

Different reports for different levels



Reports should be directed to the knowledge, interest and responsibility of the recipient. A common example of application of this principle, recognizing different levels of interest, is in the reporting or production cost information. The foreman should receive a report pertaining to his department. The plant superintendent should receive a summary of the reports issued to the foremen under his supervision. The vice president in charge of manufacturing should receive a summary of the reports issued to the managers under his direct supervision. . . .

Reporting by exception is a well-accepted principle for improving the usefulness of reports. When plans are well-conceived and accepted, only the variations from them are important. This principle is especially useful in any reporting of performance. Here the difference between performance and standards, budgets and other predetermined yardsticks is the significant information which requires attention.

ERNEST A. CARLSON, CONTROLLER, JOHNSON & JOHNSON, IN THE SEPTEMBER 1956 "NATIONAL ASSOCIATION OF COST ACCOUNTANTS BULLETIN."

tax quiz RECENT COURT CASES

by Benjamin Newman

Tax Attorney, Koenig and Bachner, New York.

THE QUESTION

A deceased stockholder's corporate shares are purchased by the corporation, and distributed to the remaining stockholders. If the stock has been purchased with the proceeds of life insurance upon the deceased, paid for by the corporation, is this stock taxable as ordinary income to the stockholders?

THE FACTS

A corporation insured and paid the premiums on the lives of all stockholders active in its management and operations. The purpose was to provide funds readily with which to purchase the corporate stock of a deceased stockholder.

This plan was put into action upon the death of a majority stockholder. Three of the stockholders who had been appointed trustees and beneficiaries of the policies collected the deceased's insurance and applied the proceeds to the purchase of his stock for all remaining stockholders.

The Commissioner of Internal Revenue ruled that this was actually a dividend distribution equal to the value of the stock received.

THE RULING

The trustees were the agents of the corporation, declared the Tax Court, and in this capacity received the proceeds of the insurance policies, and acted as custodian of the funds on behalf of the corporation. With the distribution of the deceased's stock, the remaining stockholders received a corporate distribution which must be taxed to them as ordinary income. *(Thomas F. Doran, et al vs Commissioner, U. S. Tax Court, decided May 18, 1956.)*

THE QUESTION

Where a sum of money to be earned in the future (under the terms of a contract) is currently received, is such income currently taxable?

THE FACTS

Taxpayer leased certain real estate for a period of 35 years, beginning January 1, 1947, and ending December 31, 1982. As a deposit, to insure performance of the lease, taxpayer received \$250,000. Taxpayer was given the right to comingle and use the deposit for its own purposes, and was not charged interest.

At the expiration of the lease, in 1982, the deposit was to be returned to the lessee. In 1949 it was mutually agreed to terminate the lease on January 3, 1950, and to return the sum of \$65,000 of the deposited security to the lessee, with taxpayer keeping the remaining \$185,000. It was the contention of the Commissioner of Internal Revenue that taxpayer's release from obligation to repay the \$185,000 resulted in taxable income. On the other hand, taxpayer argued that since it was not required to repay the security deposit until 1982, it need report as taxable income only the present value of \$250,000.

THE RULING

Taxpayer was immediately obligated to repay the security deposit in 1950, decided the Court. By mutual agreement, the lease was terminated in 1950. Under the terms of the lease, the security deposit was returnable upon its termination. Accordingly, concluded the Court, the lease was terminated in 1950 and the security required to be returned then. Having retained the sum of $185,000, taxpayer is taxable on that sum in 1950. *(Bradford Hotel Operating Co. vs. Commissioner of Internal Revenue, U. S. Tax Court, decided June 6, 1956.)*

THE QUESTION

Is a taxpayer excused from filing an estimated tax declaration when a contingency exists that is likely to reduce his annual income?

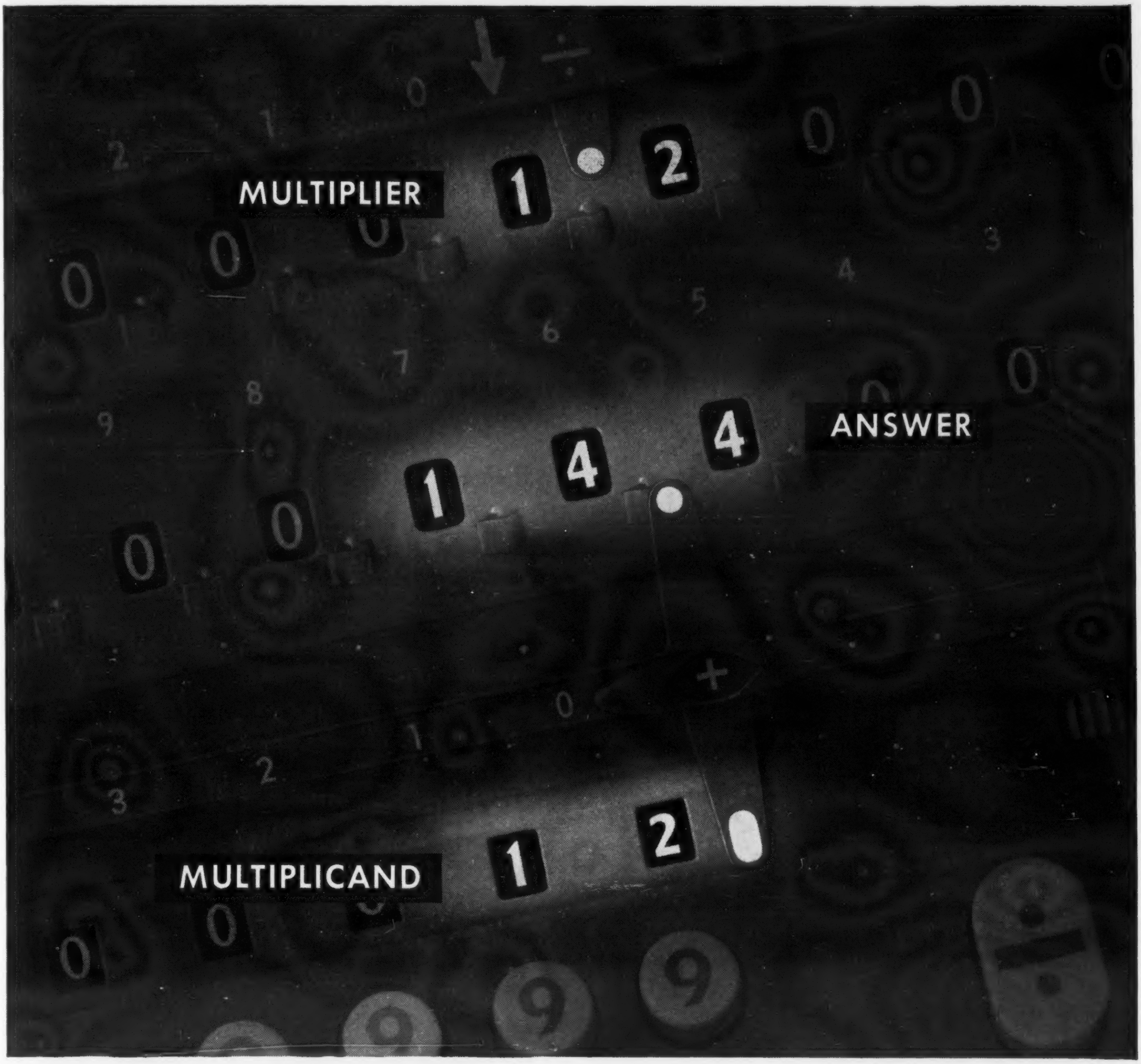
THE FACTS

A taxpayer operated a taxicab business that realized a substantial profit during the years in question. In addition, he received considerable income from other sources. Even though he might reasonably expect to have sufficient gross income to warrant the filing of an estimated tax declaration, he claimed that he had good cause for not doing so: he believed that by the end of the year his income might be reduced to zero because of a large number of damage claims pending against him.

The Commissioner of Internal Revenue contended, on the other hand, that the contingency of a liability did not excuse a taxpayer's filing an estimated tax declaration.

THE RULING

There was no reasonable cause for the taxpayer's failure to file a declaration of estimated tax, ruled the Tax Court. The possibility of the payment of a contingent liability is not a valid excuse. Since the declaration was filed, the estimate was deemed to be zero and the penalty for underestimate was mandatory, concluded the court. *(Maxey vs Commissioner of Internal Revenue, U.S. Tax Court, decided Aug. 31, 1956.)*


MULTIPLIER
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Student Union & Food Service Building of the Indiana University Medical Center, Indianapolis.

Indiana University Installs 103 General Electric Thinline Air Conditioners

The problem: to air condition an existing building without hurting its appearance. And without costly ductwork or plumbing. *The answer:* the General Electric *Thinline.*

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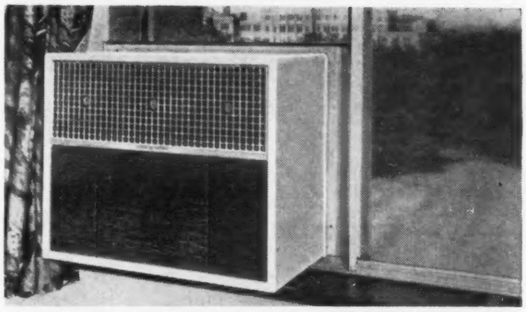

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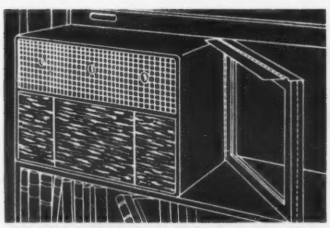

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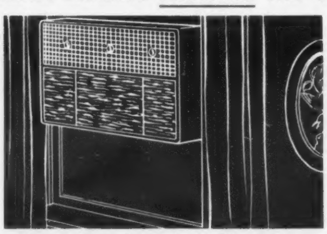

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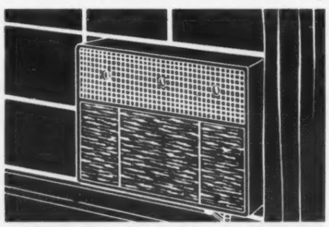

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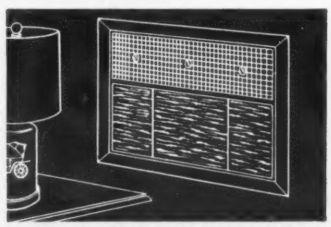

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(Circle 736 for more information)

How to make a merger

by W. T. Grimm
President, W. T. Grimm & Co.
Chicago

It takes two to tango—and to merge. Here's one way a smaller firm can find a suitable partner—without the embarrassment of a direct approach.

EDITOR'S NOTE: Many companies with the urge to merge are turning for assistance to outside consultants and specialists. To provide M/M readers with some facts about merger consultants, we have sought this point of view from one of the men in the field.

When companies merge, what are their motives? On the *buyer's* side, the purposes are usually clear. But what are the motives of the *seller*—the smaller company that finds it advantageous to become absorbed into a larger organization?

In the swirling waters of corporate finance, it is sometimes difficult to make out which way the current is running. Mergers are perhaps the most volatile news today. There have been perhaps 3,500 of them since 1950—but it appears that the present wave of mergers is different from the wave in the late 20's.

According to a report last year by the Federal Trade Commission, present mergers do not rise out of any speculative urge, or desire to create monopolies. The FTC economists found instead that today's mergers spring largely from the normal desire of larger companies to continue to grow and expand their markets. Mergers are used to provide added capacity, added products, and thus a diversification of risk.

But that is only half of the story. Although less evident, the motives on the seller's side are also an important merger-creating force. The FTC study indicates that the seller's desire to merge may arise out of the tax structure, *e.g.*, high estate taxes on family enterprises, desire for capital gains, and tax-free stock transfers. In some cases a more important factor is a small or medium-sized firm's inability to retain earnings and command needed financial resources for expansion or modernization. The pressure for more and more working capital is hard to take on a perpetual basis. That's why almost all sellers in the merger situation are medium-sized or small companies: they are pinched most by today's tight bank credit.

How to make yourself "available"

But how does a *smaller* company indicate it would like to be merged with a larger one? Sometimes a buyer and seller come together through happenstance or accidental contact. Firms that depend on such haphazard approaches, however, are unlikely to succeed in finding a suitable merger partner. Someone might find a uranium mine while hunting squirrels, but geiger counters and geological surveys are usually more fruitful.

Generally, smaller companies that want to merge with (or be bought out by) a larger company are reluctant to come out harshly

"Companies with a definite desire to make a merger usually

and announce that their property is on the block. Premature disclosure can be harmful. Yet it is the small company that quite often makes the approach. As the Federal Reserve Bank of Chicago points out in a study on mergers: "A high proportion of the firms acquired recently have been relatively small, closely-owned enterprises. In many cases, perhaps a majority, these firms have taken the initiative in merger transactions."

Companies with a definite desire to make a merger usually get best results with a systematic approach. Normally, they work through financial consultants. Many of these consultant firms have a good deal of experience in finding congenial partners for merger-minded clients, and even arranging for financing, should that be required. In addition, financial firms which specialize in arranging mergers have developed negotiation procedures which simplify the entire transaction. This has proved to be invaluable in many situations.

How the consultant works

In general, the financial consultant firm is familiar with two broad groups of purchasers.

The first group consists of corporations having very specific ideas as to the products, locations and methods of distribution which prospective acquisitions must possess. An advantageous integration of distribution systems is usually the minimum requirement of such a purchaser, and, normally, economies in purchasing and production, or perhaps a strengthening of general management, will also be expected to result.

The second group of buyers has no specific criteria for prospective acquisitions other than the expected financial return on their investment. Such buyers will consider almost any segment of any industry. While they often are willing to pay higher prices for companies than the first group of buyers, ordinarily they will wish to acquire only companies with proven management and a favorable earnings record. Financial policy controls may be the only restrictions placed on the operations of the acquired company, which otherwise may continue under the same management with few discernible changes attributable to the new ownership.

While finding the best potential purchasers is difficult for the seller, the problem of making a suitable approach to these prospects is usually even more perplexing. There is the danger that customers or suppliers may be disturbed if they hear rumors of such a move, and such news could be even more alarming to the seller's own personnel. Therefore, it is important that the early negotiations be held in complete confidence.

Quite apart from the danger of premature disclosure is the fact that a seller who directly approaches a prospect has thereby immediately placed himself at a strategic disadvantage. Once negotiations have commenced, there arise the additional problems of properly evaluating proposals and bargaining for the best possible terms.

Most of these problems are minimized by the use of a specialist in this field of sales and mergers. After consulting with the seller in detail as to his basic objectives, a merger specialist can efficiently locate and screen the most logical

WHY COMPANIES MERGE?

A company may have any of several reasons for seeking to merge another firm into its own organization. Here are some major goals:

• To strengthen product lines, e.g., Botany Mills, Inc. and Rolley Inc.

• To effect operating savings. Example: a paper manufacturer reaches back to acquire a lumber mill, forward to acquire a paper products plant—or both. This explains Ekco Products Co. (kitchen utensils) buying Adams Plastics Co., which produces pressed wood for utensil handles.

• To join forces with another firm that deals in the same product, e.g., American President Lines and American Mail Line.

• To improve competitive position, and obtain advantages of a larger sales network. Example: Nash-Kelvinator and Hudson Motor.

• To diversify.* A railroad equipment manufacturer—prone to business fluctuation—might acquire an electronics and research company; a maker of industrial compressors, engines and construction and mining equipment; or a firm manufacturing earth-moving equipment. That's exactly what Westinghouse Air Brake Co. did. The same motive lies under W. R. Grace & Co.'s acquisition of chemical companies.

• To obtain high-grade management. Sometimes the primary reason for a merger is to get the services of the selling company's president and other key personnel.

• To get a listing on the New York Stock Exchange, e.g., Texas Instruments Inc. and Intercontinental Rubber Co.

* *In last month's issue of* MANAGEMENT METHODS, *the part played by mergers in the diversification plan of Rockwell Mfg. Co. is described by Rockwell's chief executive.*

get best results with a systematic approach . . ."

purchasers from among the two broad groups mentioned above. Further, an extensive investigation of prospects can be made without disclosing the seller's identity until there appears to be a clear mutuality of interest. Even when the prospective purchaser is a personal acquaintance of the seller, it is generally to his advantage to have the approach tactfully handled by an experienced intermediary.

A typical case history

For example, a recent case might indicate the twists and turns in a typical merger negotiation. Details have been changed to prevent identification of the principals.

The client, Mr. A, was chief executive and major stockholder of a successful manufacturing firm. Although still several years from retirement age, Mr. A had no children who could take over the business. He was concerned about the liquidity of his estate and the continuity of the thriving business he had so painstakingly developed. Virtually his entire net worth was represented by his equity in the company. In the event of his sudden death, estate and inheritance taxes might engulf the estate as well as undermine the firm.

Mr. A realized that the most favorable time to sell his company was while the economy was prospering and his firm was experiencing good earnings. He decided that he would try to sell his controlling stock interest in some manner that would give him about $2 million cash after taxes.

Typically enough, Mr. A's price was high. But while the proposed asking price was approximately 40% above the book value of the stock, the past earnings record had represented a rate of return on investment well above the industry average. Further, the fact that Mr. A was willing to remain with the business for several years widened the range of potential purchasers.

His consultant prepared a report on the company that contained the basic data needed to interest a buyer (but carefully concealing all clues as to the seller's identity). The consultant then undertook an orderly approach to a selected list of prospective purchasers. Direct competitors were excluded from this list, because of the danger of repercussions in case a transaction was not consummated.

Four good prospects were located in this manner, including one company with its stock listed on a major stock exchange. In addition, Mr. A referred a fifth prospect who had approached him directly. This prospect soon revealed it would purchase the assets of the company giving Mr. A a net liquidating price of $1,950,000. However, it would only pay $250,000 down and the remainder of the price would be given in notes payable over 10 years.

Mr. A turned down the offer because the prospect refused to place its credit (which was rated only fair in the first instance) behind the notes and, in effect, the company would have to pay for itself out of its own earnings—an operation called a "boot-strap."

The first of the four other prospects backed out of the picture when it found Mr. A would not consider an offer in cash for the company's stock equivalent to the company's book net worth. The second prospect became discouraged when it made the same offer plus an additional incentive of a 10-year management contract for Mr. A at $35,000 a year plus a generous profit sharing plan.

The third prospect offered Mr. A an exchange of its listed stock for his on the basis of market value for book value. Since this prospect's stock had a market value very close to its book, this appeared to be a fair offer. The prospect also had hidden asset values. Thus an exchange on this basis appeared to be what Mr. A was asking for. Further, it would be a tax-free exchange.

Mr. A almost accepted the proposal on two separate occasions. However, the stock market at that time went into a period of profit-taking, and the buyer's stock declined temporarily about 8% in value. Mr. A feared that the stock did not have sufficient quality to

(Continued on page 98)

WHO IS DOING THE MERGING?

What industries are most represented in the latest merger wave? According to the Federal Trade Commission, these are the main fields in which mergers took place in the six-year period prior to 1955:

Industry group	Number of acquiring concerns	Number of concerns acquired
Machinery (nonelectrical)	166	249
Food and kindred products	100	243
Chemicals	73	168
Fabricated metals	91	161
Transportation equipment	66	125
Textiles and apparel	74	117
Electrical machinery	70	111
Mining	48	81
Primary metals	53	78
Stone, clay and glass products	39	70

Why executives

About a year ago, Dr. Frederick J. Gaudet, of the Laboratory of Psychological Studies at Stevens Institute of Technology, reported the results of a study he had made on executive failure in 200 different companies.

"Why did one particular executive in your company fail?" Dr. Gaudet asked. Three reasons were given most frequently:

Not delegating responsibility.
Lack of breadth of knowledge.
Failure to analyze and evaluate.

Of lesser importance, and in decreasing order as listed, were:

Poor in judging people.
Not cooperating with others.
Weakness in making decisions.
Weakness in knowledge of organization and administration.

While failure to delegate was given top billing as a cause for failure, it is interesting to note that it appeared again in at least two of the secondary reasons—not cooperating with others, and weakness in knowledge of organization and administration.

This is not an isolated study. Similar results were stated more positively by Dr. Earl Brooks, of the New York State School of Industrial and Labor Relations at Cornell University. In his study, excellent and below-average executives of one large corporation were contrasted in their use of delegation. He checked the top 96 executives. He had them rated in a large number of characteristics, and work methods, not only by their immediate superiors, but also by their subordinates.

About an equal number of executives were judged excellent as were judged below-average. Regarding delegating ability, the reports of the superiors of these executives averaged out thus:

	Delegated effectively
Excellent executives ...	***75%***
Below-average executives	**zero**

There was, obviously, not much chance for an executive to be considered excellent by his superior unless he almost always, or often, delegated effectively.

Dr. Brooks reinforces this finding by analyzing other techniques used by these same excellent and below-average executives. The list below gives a quick run-down of the supplementary findings.

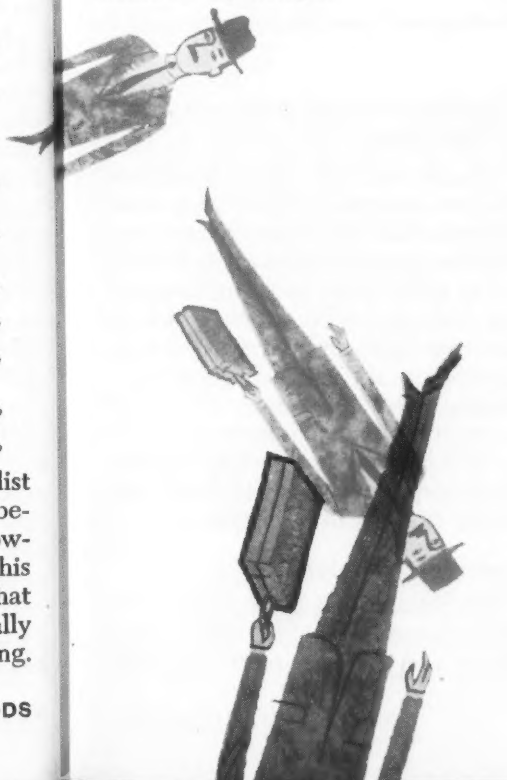
	Excellent Executives	*Below-Average Executives*
They almost always, or often:		
Had workers share in making decisions ...	100%	10%
Coordinated the activities of workers	100%	10%
Made full use of skills and abilities of workers	100%	10%
Let workers know how they were doing	83%	0
Saw that authority of each worker was clearly understood ..	83%	**10%**
Kept workers informed of activities in other departments	83%	**10%**
Kept workers informed about other things affecting their work ..	92%	**20%**
Encouraged workers to exchange information	92%	20%
Knew how well workers were doing	100%	30%
Encouraged workers to express their ideas and opinions	100%	30%
Selected the right person for the job	100%	30%

Items toward the top of the list showed the greatest differences between the excellent and below-average executives. In reading this list, it is worth keeping in mind that each technique included is usually tied in with effective delegating.

s FAIL

The key phrase seems to be "failure to delegate". Here is a documeted report on the anatomy of delgation—plus a check list for management guidance

by Dr. Donald A. Laird
Industrial Psychologist



For instance, we must select the right person to delegate to, we must have workers participate in some decision-making—and so on through the list—to make delegating work.

What is delegation?

A well known firm of industrial psychologists says that effective delegation finally resolves itself to *letting other people make decisions.* The psychologists quote the case of one client who called them in and admitted that his own job had been snowballing. But, for some reason it had not occurred to him to delegate: he simply worked faster and longer. Characteristically, every morning he still checked through the incoming mail. If he didn't answer a letter himself, he almost always pencilled instructions about the answer that should be written.

"Sorting the mail keeps me in touch with the business," he explained. But when he thought about it, he discovered that this chore was taking him twice as long as it had a year before because his business was growing.

"But those instructions I write on the bottom of the letters—that's delegating, isn't it?" he asked a bit wistfully. It wasn't easy to convince him, the consultants report, that in pencilling in his decisions he had completely negated effective delegation.

Does effective delegation require complete repudiation of decision-making in a given area? Not at all. Donald K. David, the foods executive who became dean of the Harvard Graduate School of Business, told a conference of business leaders: "Delegation *and control* are the principal functions for the development of the greatest effectiveness of a management team." In other words, for an executive to delegate without the right kind of control is often the equivalent of neglect of duty. The good executive finds a happy balance—and this often requires training.

Do men delegate spontaneously?

How much and how well does the average untrained leader delegate when left to his own devices? There is an answer from an analysis of 500 groups which was made by Dr. John K. Hemphill, who is now with the Personnel Research Board at Ohio State University. These groups he studied all had face-to-face leaders. The groups ranged from foundry gangs to bomber crews, from ladies' organizations to office forces of girls. Dr. Hemphill asked them: "How wisely did your leader delegate authority?" Here is a summary of the followers' answers:

Always delegated	25%
Frequently delegated	39%
Occasionally delegated	15%
Seldom delegated	7%
Never delegated	2%
Did not apply	9%
Could not tell	3%

We may consider those figures as showing the extent of spontaneous delegation on the part of leaders. It is doubtful if many of these individuals had studied a book on delegating or were making intentional use of any techniques of delegating. Rather, they were probably expressing their individual inclinations—or the delegation was forced on them by the size of their jobs. With this as a basis, we can estimate that around two-thirds of those who attain some degree of leadership always or frequently make use of delegation.

What is particularly interesting in this study is the evaluation, by their subordinates, of the 500 leaders as either successes or failures. In 73% of the cases, they were thought to be "good or excellent leaders." Twenty-seven percent were classified as "fair, poor, or bad leaders." More importantly, the good and excellent leaders were again found to be the ones who made the most use of delegating. The failures were concentrated among those who never, seldom or only occasionally delegated. This difference was great enough to indicate that the successful leader generally was likely to do most delegating, even though it was the untrained variety of delegating.

The quality of delegation

We have seen that about two-thirds of the leaders of the 500 groups mentioned did delegate either always or frequently. But how effective is this spontaneous, untrained delegating? Unfortunately, there is little clinical evidence from which to draw a conclusion. One interesting attempt is worth reporting, however.

At a session of the National Sales

DO YOU NEED TO DELEGATE MORE?

	Yes	No
1. Do you have to take work home almost every night	☐	☐
Why?		
Outline actions you can take to cut this down:		
2. Do you work longer hours than those you supervise, or than is usual for hourly paid workers in the business?	☐	☐
Steps you could take to change this to a "No" answer:		
3. Do you have little time for appointments, recreation, study, civic work, etc.?	☐	☐
Time could be obtained by:		
4. Do you need two or more telephones to keep up with the job?	☐	☐
How did this happen to develop?		
Plans for doing something about it would be:		
5. Are you frequently interrupted because others come to you with questions, or for advice or decisions?	☐	☐
Why does this happen?		
Strategies for cutting down such interruptions:		
6. Do your subordinates feel they should not make work decisions themselves, but should bring the problems to you?	☐	☐
Examples:		
To change this situation you could:		
7. Do you spend some of your working time doing things for others which they could do for themselves?	☐	☐
Such as:		
Actions you might take to avoid this:		
8. Do you have unfinished jobs accumulating or difficulty meeting deadlines?	☐	☐
Examples:		
The jobs could have been finished on time by:		
9. Do you spend more of your time working on details than on planning and supervising?	☐	☐
Why?		
For a better balance, you could:		
10. Do you feel that you must keep close tab on the details if someone is to do a job right?	☐	☐
Examples:		
Different plans for control of results would be:		
11. Do you work at details you enjoy, although someone else could do them well enough?	☐	☐
Such as:		
What to do about this:		
12. Are you inclined to keep a finger in everything that is going on?	☐	☐
Examples:		
Procedures to try:		
13. Do you lack confidence in your subordinates' abilities so that you are afraid to risk letting them take over more details?	☐	☐
Examples:		
Solutions to test out:		
14. Are you too conscientious (a perfectionist) with details that are not important for the main objective of your job?	☐	☐
Examples:		
New plans to try for this:		
15. Do you keep job details secret from subordinates, so one of them will not displace you?	☐	☐
Examples:		
New plans for action:		
16. Do you believe that an executive should be rushed in order to earn his salary?	☐	☐
Why?		
An executive's principal job is:		
17. Do you hesitate to admit that you need help to keep on top of your job?	☐	☐
Examples of help you could use:		
List subordinates who could be trained to give this help:		
18. Do you neglect to ask subordinates for their ideas about problems that arise in their work?	☐	☐
Examples:		
To change this you could:		

Executives Graduate School, Dr. Charles L. Lapp, of Washington University, gave a report on how 38 companies judged the effectiveness of their sales executives in delegating and other techniques.

First off, the top managements involved sized up 35% of their sales executives as often failing in delegating.

Additional light on the effectiveness of their delegating was obtained when the top executives were asked:

What do you feel are the three chief shortcomings of your sales executives? Following are the 10 that topped the list. [The items marked with an asterisk (*) may also be looked upon as tied in with the methods used in delegating; after all, an executive can't delegate effectively unless he is also in contact with his subordinates, or has their respect.]

- ***Not enough direct contact with salesmen.**
- **Did not keep with with changing trends.**
- ***Failed to delegate.***
- **Not enough original ideas.**
- ***Too little time spent on planning.**
- ***Inability to obtain subordinates' respect.**
- **Unwilling to study and prepare for the job.**
- ***Too much time spent with routine details.**
- **Failed to obtain cooperation of other executives.**
- **Inability to make quick and sound decisions.**

Notice that the above functions do not work out exactly the same as with the 500 more general executives mentioned earlier. Inability to make quick decisions counted for little among the former group, but top management regarded it as important—and a shortcoming—among sales executives. This difference probably reflects a tendency for various specialized jobs to have requirements which may not apply to executives in general.

Learning to delegate

There is no pat answer for "how to delegate." But on these two pages are two sets of guides that

DOES YOUR ORGANIZATION NEED TO DELEGATE MORE?

Yes No

1. Do older men predominate in key positions, particularly at the middle levels? .... ☐ ☐

How did this come about?

Policies this suggests should be considered:

2. Is there a shortage of men who are trained to take over key places in case of deaths, or resignations? .. ☐ ☐

Why?

Actions to start regarding this:

3. Are key men so tied to their jobs that they lack time to take part in community services and other public relations activities? .... ☐ ☐

Which men?

This could be changed by:

4. Are some individuals filling two or more key spots? ☐ ☐

Why?

Possible job realignments are:

5. Are key men so occupied by current details that they cannot plan future moves, causing the enterprise to move slowly in meeting competition or changing markets or processes? .... ☐ ☐

Examples:

Remedies to consider are:

6. Are key men spending part of their time in actual production work? .... ☐ ☐

Which men?

Their jobs could be re-organized by:

7. Are key men kept under such tight control they are afraid to delegate? .... ☐ ☐

Examples:

Other controls which might be used are:

8. Are key men who have been promoted still carrying some details from their previous jobs? .... ☐ ☐

What men? What details?

Plans for restructuring these jobs:

9, Do standard practices, job simplification, and rules and procedures work against delegating in the organization? .... ☐ ☐

Which practices, etc.?

Alternate arrangements might be to:

Yes No

10. Is the ratio of private secretaries below average? ☐ ☐

The gains and losses from this are:

Areas where this might be changed are:

11. Is decision-making (plans, methods, job problems, etc.) restricted to a few individuals? .... ☐ ☐

Examples:

This could safely be placed on more shoulders by:

12. Is official criticism for blunders marked enough to make key people hesitate to use their initiative, or to take risks? .... ☐ ☐

Examples:

Possible changes worth trying:

13. Are key personnel pitted against each other, so that they strive to win personal credit rather than build a team? .... ☐ ☐

Examples:

Policy changes this situation suggests:

14. Is it the practice to promote hard workers, or "balls of fire," before they have developed understudies to take their places? .... ☐ ☐

Examples:

This might be done differently by:

15. Has it been necessary to go outside to find replacements for key men? .... ☐ ☐

Examples:

What policy reconsiderations does this suggest?

16. Do capable younger employees resign before their full abilities can be used by the firm? .... ☐ ☐

Examples:

This suggests that we should:

17. Do the rank and file of employees seem to lack initiative? .... ☐ ☐

Possible organizational reasons for this:

Actions that might change it are:

18. Do production workers seem to lack interest, or lack satisfaction with what they have to do? ..... ☐ ☐

Examples:

Delegation might help this by:

will help the executive better understand the mechanics of delegation. The guides reflect not only the many ways in which under-delegation may influence the effectiveness of an individual or an enterprise. They also point to some of the personal or policy reasons which may cause it. In general, a "yes" answer points to the need for more delegation. Unless there is clearly some other reason for the "yes" answer, it should be looked upon as a warning that some further analysis and action is called for to increase delegating.

It is important to recognize that delegation is a company-wide problem as well as an individual one. Obviously, a good organization chart—coupled with an understanding of how it is to operate—is a primary step. It isn't a *solution,* however. All of us know of the marked differences in the way similar organization charts work out in various companies. In many instances the difference is due to insufficient or incorrect use of delegation. Poor delegating may be rampant in an organization, particularly in an older firm which has copied an organization chart without using the kind of delegating which brings the organization chart to life. m/m

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AMERICAN JUNIOR RED CROSS
ANNUAL REPORT
1955
ARDEN COUNTY CHAPTER
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RAILROAD CROSSING
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SICI SIGNAL COMPLETE
HIGHWAY CROSSING SIGNAL
WETTERAU GROCER CO. INC.
Fresh Fruit and Produce Department
BUSINESS REPLY ENVELOPE
WE'RE OFF!
SALES CONTEST
SAFETY RULES
WATCH YOUR STEP!
NILES

by Rolla R. Ross*
Manager, Electronic Development Division
Joseph T. Ryerson & Son, Inc., Chicago

Adapted from an address before a recent systems and procedures conference sponsored by the Illinois Institute of Technology.

Can you afford the "practical"

There's no one single approach to electronics. For example, suppose a certain firm is planning an electronic data processing system. Not one, but several alternative paths are open to it, any one of which may be effective. But experience does show that there are two *dominant* approaches:

The first is the so-called "practical" approach. It consists of a simple conversion to electronics, probably from punched card routines.

The second is the "visionary" approach and it involves a great deal more: it is aimed at a broader need and at a long-range objective.

Let's appraise each of these opposing approaches from the point of view of top management.

The practical approach

The practical approach to electronics in data processing is aimed at immediate return. Perhaps the benefit is to be in terms of speedier reports, or a simplification of punched card handling, or some other benefit of this kind.

In the initial step a survey is usually undertaken. Assume that management assigns a team to study the integration of punched card functions—sorting, collating, summary punching, and so on—into a single electronic data processing run. Normally it will be found that the basic nature of input and output remains unchanged; the switch to electronics is free from complication.

But generally speaking, it will be found that in order to financially justify this practical approach, the equipment must be used on a multi-function basis: the surplus machine time must be used for additional operations. These operations are programmed and absorbed as quickly as possible. However, each new application is considered on its own merits, without regard to consolidation of various applications into a single integrated electronic system.

Most companies that adopt the practical approach are quite willing to admit that it is not the ultimate: they have compromised long-term gains for benefits that are immediately available. The practical approach, therefore, accepts electronic data processing as an adjunct to present equipment and processes—either through the direct transfer of work from punched card equipment or by mechanizing in areas not practical to mechanize with conventional equipment.

Advantages: There are several reasons why the practical approach may appeal to top management. It immediately speeds reports, takes pressure off machine accounting operations, provides data not previously available. It does not involve a substantial financial risk since the lower cost equipment is usually suitable.

Another advantage is that the practical approach provides electronics training for machine accounting employees and others—training that may be valuable should the company decide later to broaden its approach to electronics. Finally, the practical approach demonstrates to management at all levels that electronics can and does produce results.

Disadvantages: On the other hand, there are serious pitfalls and shortcomings. The principal drawback is that this approach is not sufficiently broad in scope: it does not really get to the root of management's needs. It is geared to short-term rather than long-term planning. The solution of problems on a piece-meal basis normally results in satisfaction in one area while another area is becoming critical.

The field of electronic data processing is moving very rapidly. Thus, the practical approach usually involves equipment that was available yesterday—rather than equipment that will be available tomorrow. Advocates of the practical approach must be prepared to defend their decision two years hence—especially if competition has taken a more advanced approach. For, as the Society for the Advancement of Management has said: "No war, no strike, no depression can so completely destroy an established business or its profits as new and better methods, equipment and materials in the hands of an enlightened competitor."

Finally, in applying the practical approach, ultimate goals and optimum uses of the electronic equipment can be lost in the anxiety to convert individual operations without regard to developing a truly integrated electronic data processing system.

The visionary approach

Whereas the aim of the practical approach is immediate return, the visionary approach is directed at a goal of broader and longer range proportions: effective management

Managements of some companies think of electronics only in terms of office equipment. By so doing they limit the benefits they can gain on a long range basis. Here are the pros and cons of both the "practical" approach and the "visionary" approach to electronic data processing, plus a compromise course of action that may provide the benefits of both.

approach to electronics?

control. That's why it involves a penetrating study of data processing requirements within the company. This study should be interpreted in terms of the end reports that provide management control.

In conducting the survey, the systems engineer generally discovers a paperwork assembly line. This line is in the form of various departments processing documents that are then summarized in the form of reports. The visionary approach requires consolidation of functions, both within each separate paperwork assembly line and also among the different assembly lines. For example, employee accounting contains the function of labor distribution; inventory accounting also contains factors concerned with labor distribution. Effective management control can become a reality only after the proper relationship between these two accounting functions—and others—has been established.

The visionary approach calls for a considerable amount of time for investigation of current routines and for the development of the projected new routines. It also assumes, in most cases, the use of a large scale computer, because it is better to develop an electronic data processing system right in the beginning that has a minimum of machine limitations.

Advantages: The visionary approach has a special appeal to top management because it encompasses broad objectives for a more scientific control of company operations. It permits "management by exception." The rapid speed of information feed-back provides a thermostatic business control.

This approach holds advantage for top management from still another point of view: management can look toward it for relief of some of the pressure caused by the current clerical shortage. It has been predicted that normal business expansion under present conditions would require a 39% increase in clerical personnel by 1965. But it is also predicted that there will be only an 18% increase in the labor force available for these jobs. Through the long-range, visionary approach, electronic data processing can bridge the gap. A reduction in the demand for clerical personnel will, in turn, provide some relief from the spiraling trend of clerical wage rates, and from the increases in fringe benefits, shorter workweeks, longer vacations, turnover, and so on. It is understood, of course, that any actual reduction in the number of personnel should be accomplished through normal turnover, and that career employees affected by an electronic installation should be upgraded to the jobs that cannot be mechanized.

Disadvantages: Despite the long-range potentials of the visionary approach, many top managements have been reluctant to adapt it. The principal objection concerns the need for changes in policies, procedures and organization—and the fact that these changes might well place the internal workings of the company in jeopardy, or turmoil. Further, a considerable outlay of money is involved to prepare for and install an all-encompassing system.

Top management often thinks of electronics solely in terms of office equipment. They find it difficult to view electronics as a business venture. Because a heavy investment in electronics does not produce a salable product, such an investment does not receive the same favorable consideration as does an expensive production machine, for example. Yet the move to electronic data processing is a major decision—and it is not normally practical to move into electronics on a gradual basis, partly because of the expense of parallel operations.

Finally, the visionary approach requires several man-years to develop. Some companies reason that the pressure of immediate problems is too great to allow for this investment of time and personnel.

Notwithstanding these many objections and problems, top management is moving to an inevitable conclusion—the conclusion that the visionary approach to electronic data processing is not really a question of, "Can we afford to?" but rather, "Can we afford *not* to?"

The compromise approach

Ultimately, most companies will turn to the visionary approach in order to take full advantage of electronic equipment as a management tool. But the question arises: Which approach should our company adopt first?

Many factors influence this decision: the degree of current mechanization; the extent of change required in procedures, policies and organization; and other conditions which might bear upon either the long-range or short-range gains.

(Continued on page 56)

Here are suggestions that will help your business card to serve you better

What's wrong with your business card?

A businessman spends a week preparing an expensive presentation for an important customer, then another day traveling cross-country to make the presentation. The customer's first impression, however, is neither the man nor his presentation: it is his business card. This small card makes the initial impact, and may strongly influence what follows.

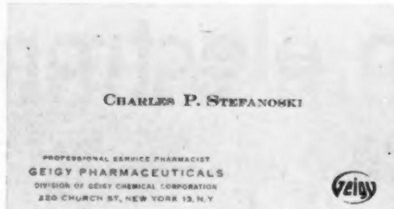
Regardless of who uses it, a business card is a sales tool. It introduces and identifies; later it may serve as a constant reference and reminder. And every time a customer, a contact or an associate looks at your business card, he gets an impression of you. That's why the design of your card must be handled with the utmost care.

In preparing the illustrations for this article, the art director of MANAGEMENT METHODS, Laurence Lustig, obtained samples from one of the specialists in the field, R. O. H. Hill. This firm also provided a check list of recommendations for the design of a business card. M/M's editors have selected five major points from this check list, and Art Director Lustig has selected a representative card exemplifying each point.

Simplicity of design was the objective in MANAGEMENT METHODS' own business card. It contains only

five lines of type, all flush left. The single line, "MANAGEMENT METHODS," is printed in red, with the other words in black.

Correct placement of information is shown in this card for Geigy Pharmaceuticals. The man's name is emphasized, followed by title,

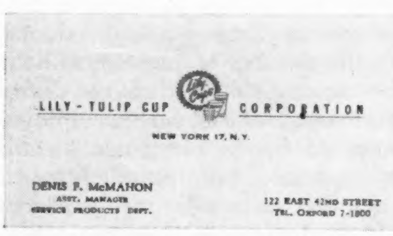


company, address. There is no confusion; each element logically follows.

A design to match a firm's business is tastefully illustrated by W. A. Shaeffer Pen Co.'s card. The

company name appears as a pen signature. Identification is strong since this script is well known as a trademark.

Color, if any, should be used sparingly to achieve best effect. Blatant color use can be distract-



ing. Lily-Tulip Cup Corp.'s card uses color effectively, to highlight trademark and to underscore company name.

Distinctive, quality appearance is conveyed by the card of Cavanagh Hats. The embossed trademark, a coat of arms in gold, rust, and aqua, is a subdued and distinguished symbol.

How to revise a card

On the opposite page, Laurence Lustig has illustrated five business cards he felt could be improved. His comments and design revisions are also shown.

He felt that the first card violates logical placement. There is no unity, rather a breaking up of data. The revision attempts to make the card clear, readable, functional.

The second card seems to lack smartness and originality. It should express the elegance and exclusiveness of yachts. The original card is printed in dark blue on a white card. The revision suggests greater simplicity, with a light blue overall color, and the company name and illustration in white.

Again in the third card the information is not functional. The product description is difficult to read; the illustration is unclear, old fashioned. The revised card conveys a more modern, clean look, in keeping with the company's product.

Emphasis on product

Card number four is formal—and thus contrary to the product. The product description is difficult to read. Revised, the card offers greater emphasis on product, and a cleaner, easier-to-read type.

All ingredients of the fifth card fight for attention. No single element dominates. The revision suggests an odd-shaped card, with a color background. In this more modern conception, the company name is in white on a black arrow.

As these examples demonstrate, there are many ways to design a business card. But to get best results, follow the precepts outlined and illustrated here. m/m

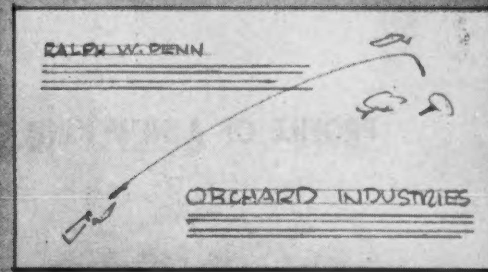
ACTUAL CARD

REVISED

Very few cards are really functional... in use a card should be read as follows:

John Smith
representing
THIS COMPANY
address and phone

This particular card violates this logical use and confuses the reader. Lacks unity. The revision attempts to make it clear, readable, functional



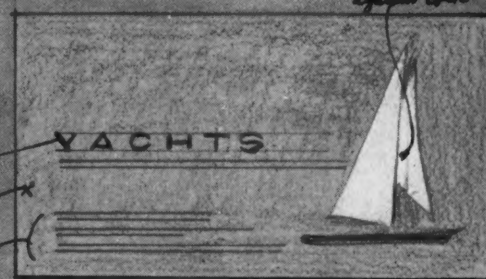
This card does not express expensiveness, elegance, exclusiveness of yachts. Basically lacks smartness, originality.

white sails against color.

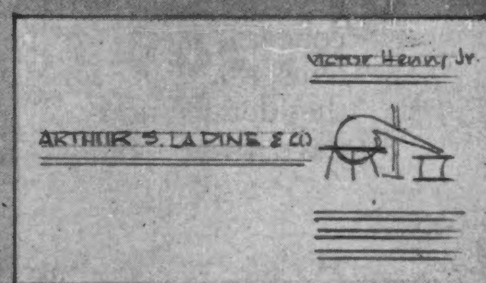
white type

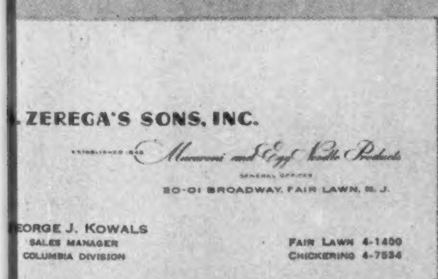
Color (light to med. tone)

Beade type



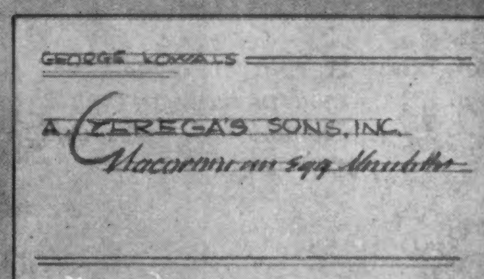
← Not functional (see #1 above) Product description difficult to read. Illustration fussy, and old-fashioned. Card should have a modern, clean look; in keeping with the product.





Type used not fitting to product... should be less formal, less like a "wedding invitation". Product description hard to read.

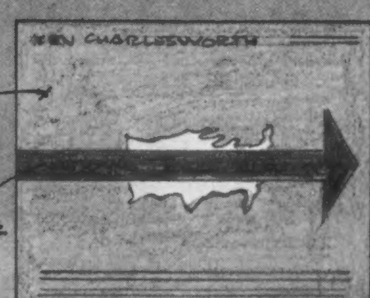
Individual's name and address to top more logical



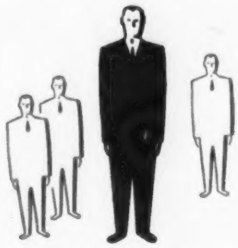
All the parts of this card are fighting.
No one element is given importance. This was a nice opportunity for distinctive, modern card... missed.
Why not a different shape?

Color background

NATIONAL etc. white on black arrow



PROFILE OF A NEW KIND OF MANAGER: *Glaser of Revell—*



Growth entails unique problems, and now, with more small companies becoming big, and more big companies becoming bigger, these problems have become a prime management concern. Here are the growth problems that one company faced, and the details of how these problems have been handled.

THE CRISIS

A small company suddenly mushrooms, threatens to outgrow its management fabric.

THE ANSWER

A shift from one-man management to a modern business type of organization, using "committees" and outside advisors to fill the gaps.

THE MAN

Lewis H. Glaser, President of Revell, Inc., Venice, Calif.

A case history

With $700 capital, Lewis H. Glaser started in plastics in 1942 making wartime substitutes for consumer items. His market folded after the war and Revell, Inc. was in trouble. Glaser retrenched, reorganized and started making plastic toys. This business grew slowly but was hampered by limited product appeal and seasonal slumps. In 1949 it grossed $705,000.

In 1950 Glaser stumbled on the idea of hobbies.

How he controls a mushrooming business

The idea: authentically detailed models of old-time cars to be sold in kits of unassembled molded parts, permitting the buyer to put the pieces together with his own hands.

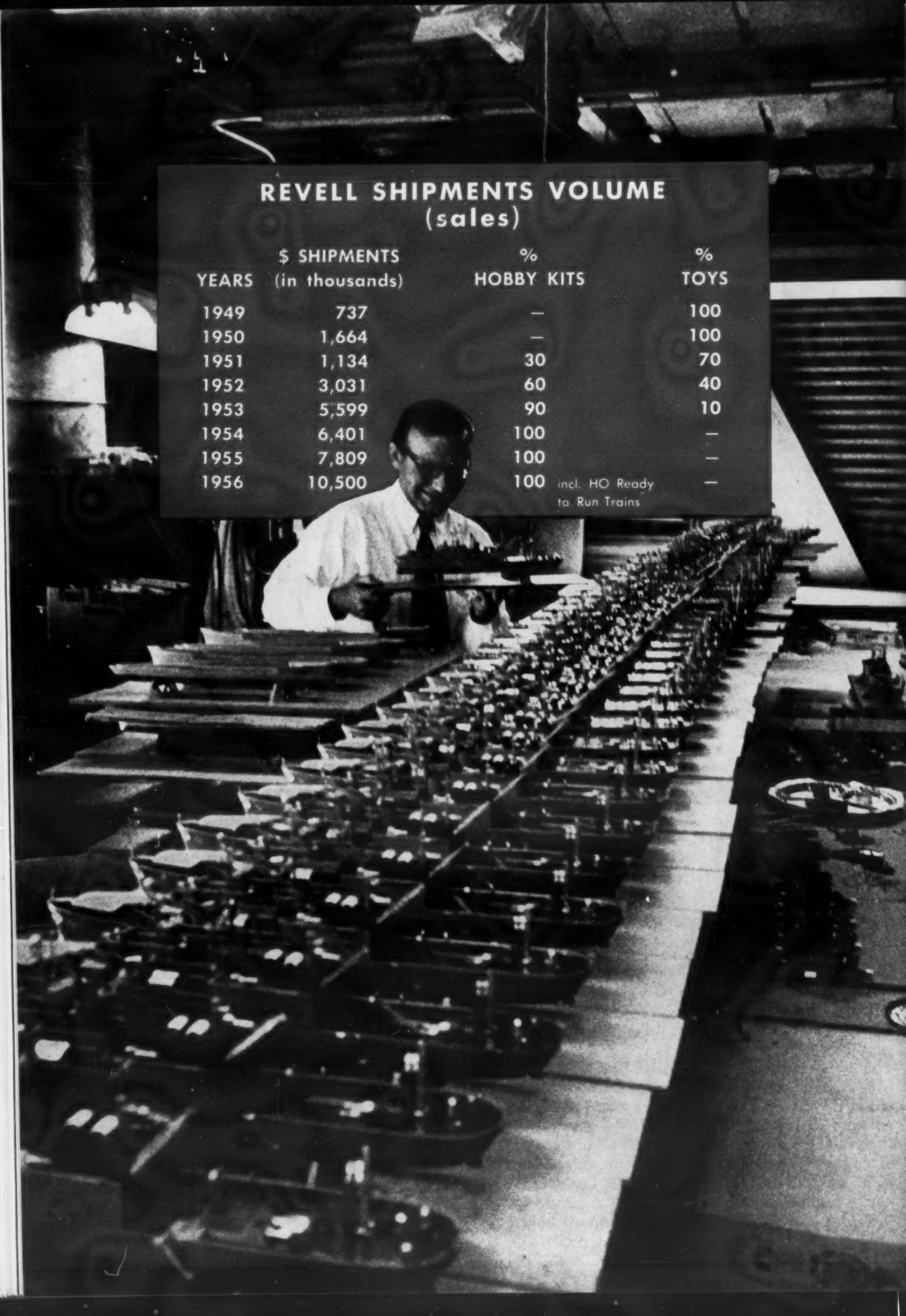
Revell came out in 1951 with five old-time car assembly kits which pleased youngsters and adults alike, and found itself in a new type of business . . . one capable of skyrocketing.

During the next years, Revell produced hobby kits for more old-time cars, then, with demand increasing, introduced lines of kits for airplanes, ships, trucks, stage coaches, pistols and other items.

Revell had built a line of 91 kits and expected to sell close to 20 million of them this year.

Revell now employs more than 500 people, expects to gross around $10 million in 1956. This represents a growth of 1,500% in seven years.

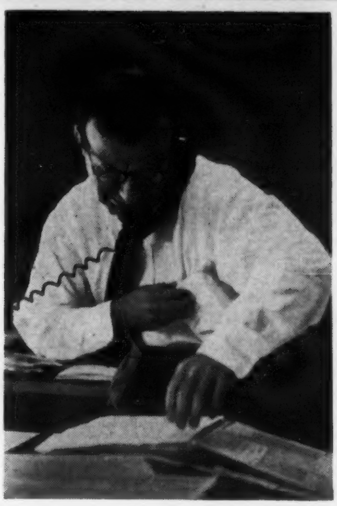
(Continued on page 43)



REVELL SHIPMENTS VOLUME (sales)

YEARS	$ SHIPMENTS (in thousands)	% HOBBY KITS	% TOYS
1949	737	—	100
1950	1,664	—	100
1951	1,134	30	70
1952	3,031	60	40
1953	5,599	90	10
1954	6,401	100	—
1955	7,809	100	—
1956	10,500	100 incl. HO Ready to Run Trains	—

"I was surprised—even shocked—to discover our problems weren't so different after all."



The story behind the figures

The real story of Revell, however, lies not in its figures, but behind them—in the management philosophies that have dominated the company's thinking.

Revell's biggest management problems grew out of its paradoxical situation: a need for growth that was carefully controlled and, simultaneously, rapidly accelerated.

Caution was needed because this was a new kind of business for Revell. In addition to tapping new markets, the company had to construct carefully a foundation to support its anticipated future size. Further, because of a lack of facts, decisions often had to be made on an intuitive rather than a logical basis.

Overshadowing the needs for caution, however, were needs demanding direct and rapid action. Unquestionably, Glaser had uncovered a market of vast and unexplored potential, but he realized that if his company could not keep pace with its new-found potential, some other company might step in and take over market leadership. Glaser was aware that two or three other toy or hobby companies were indeed watching his spiralling sales with narrowed eyes. Clearly it was a case of forging ahead to hold the lead he had gained, or being lost in the backwash of some other firm.

At first, the problems caused by Revell's rapid growth situation were operational in nature. But by 1953—the beginning of the really critical growth period—it became necessary to shift priority attention to administrative problems particularly in the areas of organization, decision-making, and planning. These problems were such that they could not be handled merely by applying conventional methods in routine ways—for example, by setting up a standard line-and-staff organization, by delegating decision-making to the proper levels, or by projecting plans simply on the basis of doing more of the same. Instead, Glaser faced the prospect of finding and applying methods that would serve to fill the broad gaps in organization, decision-making and planning—gaps caused by his rapid expansion.

Glaser and those working with him have accomplished their purpose successfully. They have done it through a combination of methods that, at first glance, might seem strangely unorthodox. Yet a deeper analysis of Glaser's management strategy shows that the methods he has applied are based on the tested principles of modern management, although he has put the components together in ways that make them most compatible with the "personality" of his company, and with the special needs he has faced. Here is the story of some of the things he has done.

PROBLEM NUMBER 1: A Question of Time

How the committee approach was applied to solve a "hopeless' organizational problem.

In the initial spurts of rapid growth following the introduction of Revell hobby kits, Glaser's business experience in the plastics field stood him in good stead. But later, as Revell, Inc. began multiplying in size, Glaser's problem was not so much a matter of personal know-how as it was a question of *time*. By early 1953, Revell was shipping at the rate of $5 million annually, but still had essentially the same small group of key people as it had in 1951, when it shipped $1,100,000. Furthermore, Glaser was still tending to run his business as if it were an individual proprietorship—controlling most of its operations personally. He had little or no time to devote to the job of really *managing* the company, or preparing a long-range program of planned growth.

THE ANSWER:

Despite his quandary, Glaser's management thinking had been slowly evolving. This change finally erupted into aggressive action during the days of the company's crisis in early 1953. He decided to begin

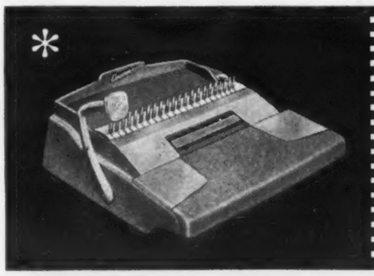
"do-it-yourself"
with Cummins plastic binding . . . it's

Bound

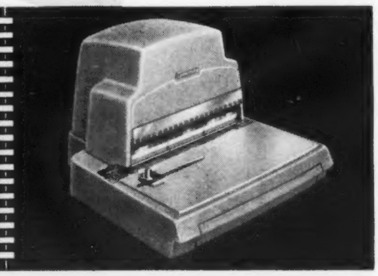
to make an impression!

Now anyone can easily plastic-bind reports, presentations, and sales material right in the office . . . and get that professionally-bound appearance and utility for added sales appeal, maximum readership, and longer life. Pages are easy to turn, lie flat, look better, invite use, command attention. Safe, easy-to-set Cummins Plastic Binding and Punching Machines are styled and built to the highest Cummins standards. Cummins plastic bindings are available with popular ring centers and diameters in a choice of ten smart colors. For any number of copies—one, ten, or a thousand books—make sure they're bound to make an impression . . . with Cummins, the nation's leader in paper punching equipment for more than 70 years.

* FINGER TIP CONTROL BINDING MACHINE



Binding made easier and faster. Dual automatic release plates . . . convenient feed tray built-in for plastic bindings . . . quick dial setting . . . new, moderately priced for every office budget.



DESK-ELECTRIC PUNCH
Eliminates "bottleneck" of hand punching. Increases speed of entire plastic binding process with a fraction of the effort. Performance guaranteed.

IN BUSINESS AND BANKS ● SINCE 1887
Cummins

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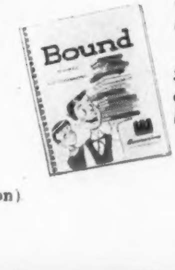
4740 N. Ravenswood Avenue
Chicago 40, Illinois



Send for informative booklet fully describing Cummins new plastic binding and high speed equipment.

(Circle 785 for more information)

immediately building a management organization with enough strength, scope and depth to cover current needs—and future needs.

Glaser recalls that he committed himself to this decision while attending a week-long management conference in Phoenix. He had signed up for the meetings primarily as an excuse to escape from the ruinous pace of his office routine. But he found that he was getting more than a change of scenery. One of the conference sessions was devoted to a case history of how a Brooklyn firm had gone about creating a management team.

"I was surprised—maybe even a little shocked—to learn that that firm had problems similar to our own," says Glaser, "and I realized if they could solve them so could we. Until then, I guess my thoughts had been pretty much handicapped by the attitude that the various aspects of scientific management were fine for other companies, but that our operation was different."

So impressed was he with the success of the Brooklyn firm that Glaser decided to take immediate action along the same course. Specifically, he had decided to do three things:

- *Break his life-long habit of trying to keep his finger in the details of all the various company operations.*
- *Develop a coordinated group of capable young men under him and delegate to each one extensive responsibility and authority for handling a specific segment of the business.*
- *Re-focus his own activities on planning for the future and stimulating his management team with new concepts, ideas and insight, as rapidly as he could divest himself and delegate the bulk of his operational responsibilities.*

Glaser was sufficiently realistic and self-assured to admit that, despite his proven ability as a businessman, he was not yet fully prepared to handle the building of his new management without guidance.

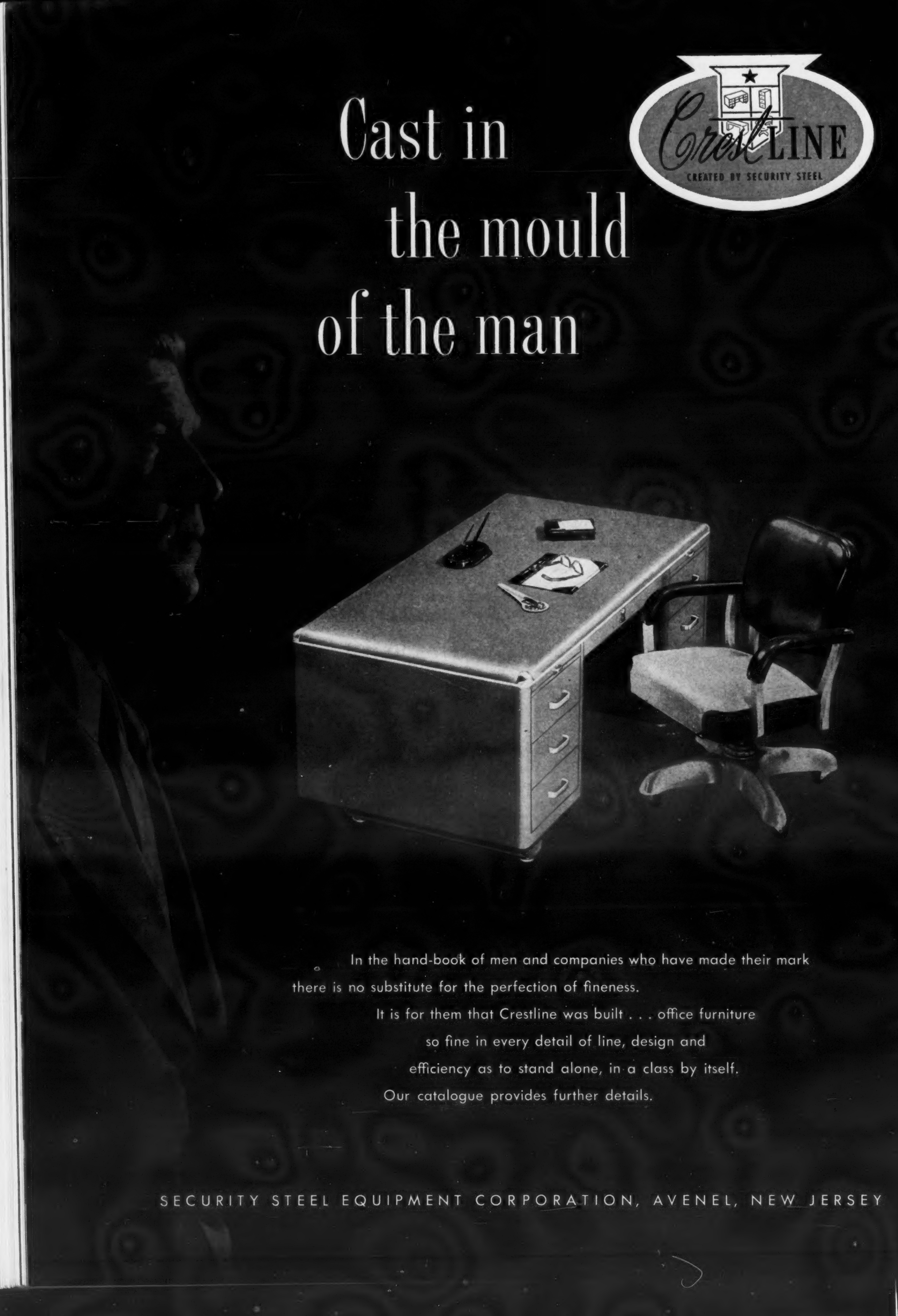
He approached a firm of psychological consultants to management. His primary purpose was to seek help in recruiting and selecting management candidates outside the company. He soon found, however, that the consultant was proving to be of even greater assistance in evaluating people within the company—the people who were to become his management team.

With a vastly improved insight into his problems and his personnel, Glaser set about defining a new organizational structure, orienting the men and, with some qualms, turning over responsibility to them. At first he had trouble with some of his new managers and department heads who, from force of habit, continued to carry their problems to him.

Glaser: "At those points, it was

(Continued on page 102)

"The job was to define organization, orient the men, and then delegate."


Cast in
the mould
of the man
CrestLINE
CREATED BY SECURITY STEEL
In the hand-book of men and companies who have made their mark
there is no substitute for the perfection of fineness.
It is for them that Crestline was built . . . office furniture
so fine in every detail of line, design and
efficiency as to stand alone, in a class by itself.
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SECURITY STEEL EQUIPMENT CORPORATION, AVENEL, NEW JERSEY

Work/Study program solves clerical labor shortage

Abbott Laboratories in Chicago offers high school students opportunity for training, paid work experience and a chance for good jobs after they graduate.

About four years ago, Abbott Laboratories went to three local high school superintendents and said, in effect:

"We want some of your students to work on a part-time basis at our company. What we have in mind is neither after-school work nor the conventional type of vocational training, but a program to permit students to acquire experience in various clerical jobs, guided by school counselors and Abbott personnel people. We think the students will profit, as well as our company."

Specifically, the work study program, instituted by Abbott, North Chicago, Illinois pharmaceuticals manufacturer, is a practical, supervised work program for senior high school students. They receive regular academic credit and paid work experience in the field they plan to enter after school.


COOPERATIVE WORK-STUDY PROGRAM RATING SHEET

School

Employer Report on Student Worker

Student

Department or Job Title

Work Period Reported

QUALITY		QUANTITY		DEPENDABILITY	
Excellent Workmanship	☐	Beyond Expectation	☐	Unusually Dependable	☐
High Grade Work	☐	Above Average	☐	Very Satisfactory	☐
Ordinary or Average	☐	Required Amount	☐	Sufficiently Regular	☐
Low Grade Work	☐	Below Average	☐	More to be Desired	☐
Poor Work	☐	Loafs on Job	☐	Deficient	☐

Number of days absent during report period

Punctuality: Good ☐ Fair ☐ Poor ☐

Improvements needed by the student-worker which the school can help him achieve

Signature of Rater

Company

Company Work-Study Supervisor

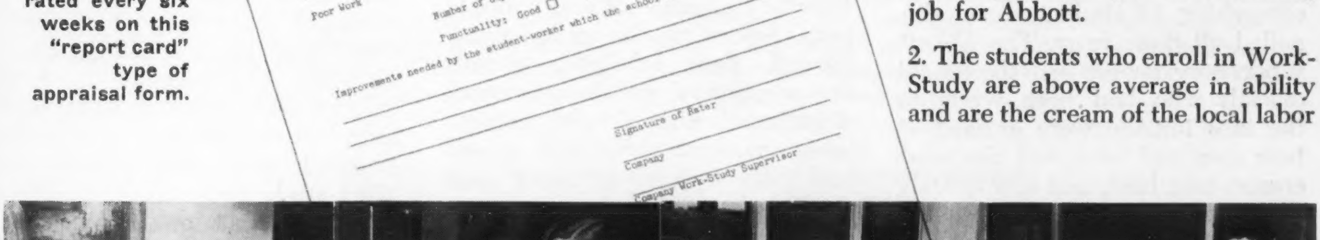
FIGURE 1: Work-study girls are rated every six weeks on this "report card" type of appraisal form.

Program benefits

To date, about 150 students have graduated from this Work-Study program. One school has been added to the original three, and two more are planning to join. Meanwhile, Abbott's department and section heads clamor for more students whenever a suitable job opening occurs. For Abbott, the program has produced these benefits:

1. It has **eased the tight labor situation.** Work-Study students have been so enthusiastic that they've done a particularly effective selling job for Abbott.

2. The students who enroll in Work-Study are above average in ability and are the cream of the local labor



ABOVE: Work-Study students learn varied office skills including shorthand, filing, key punch and billing machine operations.

crop. Approximately 90% have come back after graduation. Thus, the program has played a key role in **raising the ability level of the company's regular workforce.**

3. **Training has been sharply reduced.** Not only does it take less time for a permanent employee with Work-Study experience to win a promotion, but the program also produces a high percentage of promotable employees hired from the general pool of office help.

4. By giving each student both an educational opportunity and a job, Abbott has reaped important **public relations benefits.** The story has been spread on an almost completely voluntary basis, rather than through formal publicity. Abbott officials feel this medium makes the benefit that much bigger.

Developing the course

Work-Study was developed by Director of Personnel, Earl M. Bauby. He got the idea from the Chicago Board of Education, which had set up a similar program with several firms earlier.

Initially, both school officials and some Abbott supervisory personnel were reluctant to start the program. The school officials were worried that the students' education would suffer, and that arrangement of classroom schedules to provide enough free time for the job would be impossible. A few Abbott supervisors feared that a horde of gum-chewing teen-agers, all thumbs, would descend upon them. One section head expressed this feeling aptly when he lamented: "They'll spend more time combing their hair than they will at the filing cabinets."

The first Work-Study group, comprising 18 students, soon dispelled all these fears. The Abbott supervisory people and the school officials who had been warm to the idea initially were amazed at how soon and how well the newcomers took hold, and how quickly they learned work schedules.

How it works

As finally worked out, the program is open mainly to seniors taking business courses at the four participating high schools. The company has been accepting, on an experimental basis, some juniors in their second semester. Also, the program was recently extended to industrial arts majors. However, except for two boys in the latter category, the Work-Study groups have consisted entirely of girls studying typing, bookkeeping, and various other clerical subjects.

Students take Work-Study training in addition to their regular load of courses, and receive one extra credit for every year of satisfactory work at the Abbott firm.

Enrollment in the program is limited to students who do not plan to enter college. Each student is a volunteer, and isn't accepted until she has been carefully screened by Abbott's personnel department. The company's selection procedure consists of an oral interview, followed by intelligence and aptitude tests. Before candidates are interviewed, their scholastic records are scrutinized by the personnel department. Also, Abbott's employment manager visits each school and talks to teachers about each applicant's outside activities, initiative, and other characteristics.

SCHOOL CONTROL

In the Abbott Work-Study program, counselors from each of the participating schools visit the company at least once each semester. They check the student's progress and the program to see that it contains as much study as work.

They talk with department heads and make suggestions to improve the program educationally. State educational authorities have also reviewed the program's academic value and have granted half a credit toward graduation for each semester of work-study completed.

The program also has the sanction of the Chicago Board of Education.

Students sign contracts

Before being hired, the student signs a contract which stipulates hours, pay, and other job requirements. They are paid standard wages for their job classification. The student's parents, and company and school officials also sign this document.

The Work-Study student spends a total of 18 weeks during each semester at work. They work five days a week, from 1:30 p.m. until 4:55 p.m. During that time, jobs are held in at least two closely-related departments of the company. For example, a student who starts out in the Purchasing Department would probably be switched, at the end of nine weeks, to Accounts Receivable. Another girl beginning in the Credit Department would transfer to Payroll Accounting.

Every six weeks, department supervisors make a special report (Figure 1, page 47) on each student. This report goes to the school, so that teachers and guidance counselors can work out any shortcomings that are uncovered. In addition, department supervisors, fellow workers, and Abbott personnel officials give aid, encouragement, and practical pointers whenever necessary.

Favorable results

The first Work-Study group that came to Abbott, in the fall of 1952, was divided up among eight departments. Today, a total of 23 departments have used at least one student since the program was launched.

Two girls in the first group are now full-time executive secretaries. When they returned as permanent employees after graduation, it took these girls only about six months to win these jobs. Normally, Abbott must spend three or four years training a girl before she is ready for such a position.

Two other girls exhibited such talent that company officials encouraged them to go to college. One is studying law, and the other, chemistry. The company is particularly proud of these students, since they had no definite career plans in mind when they entered the Work-Study program.

To date, not one Work-Study student has failed to measure up, and most have exceeded the company's original expectations. This fact, coupled with the willingness of nine out of ten students to become full-time employees after graduation, has convinced Abbott the program is paying off. m/m

A guide for management on

The new all-risk

by Hyde Perce

Millions of dollars of insurable values in today's office installations are not protected. Relatively few exclusions and broad coverage make this new policy an attractive buy.

FACTS
about the new
Office Contents Insurance

- ✔ It simplifies office contents insurance.
- ✔ It provides coverage formerly unavailable or economically prohibitive.
- ✔ One policy replaces as many as five or more.
- ✔ Ten per cent of the policy amount applies to goods in transit.
- ✔ Large concerns can insure many offices with a blanket policy.
- ✔ Offices on premises of allied manufacturing or merchandising operations are excluded.

EDITOR'S NOTE: A "Thought Starter" in our October issue reporting the new office contents insurance policy stimulated heavy reader inquiry for more details. To fill the apparent need, we immediately commissioned an experienced author to provide this article covering major features of the new kind of coverage. Hyde Perce is an insurance writer for the JOURNAL OF COMMERCE and executive secretary of a national insurance trade association.

Business firms that up until now have been unable to insure machines, furniture, fixtures, and other contents of their offices now have an all-risk policy made to order for their needs.

In many respects, the policy is long overdue, in view of the trend toward better business offices with more expensive equipment and higher-priced decor. Further, the trend of decentralization—moving of entire operations into less congested, less well protected areas—sometimes represents an open invitation to theft.

These are some of the forces that have caused the insurance industry to come up with the new all-risk policy.

For both large and small companies, the policy is worth looking into, particularly if you are now carrying traditional fire, theft and miscellaneous coverage. The name, technically, is Office Contents Special Form. It can be attached to a regular fire insurance contract. Since the new policy is more inclusive than anything hitherto offered, it represents greater protection at less cost.

Details should be obtained from your agent or broker, but here is a run-down of the salient features.

The insuring clause states that the fire policy to which the new form is attached is "extended to insure against all direct physical loss of or to the property covered." But what property is covered? Here's the answer:

- ". . . office contents consisting principally of furniture, fixtures, equipment and supplies . . . the property of the insured and usual to an office occupancy."
- The similar property of *others* while in the custody of the policyholders, while on his premises and for which he would be liable.
- The policyholder's interest in betterments and improvements made in a *rented* premises (fixtures, installations or additions comprising a part of the building and made at the policyholder's expense).

office contents insurance

And there are extensions

There are some extensions that the new policy provides, and these should be understood. Here they are:

Money: The policy stipulates the payment of up to $250 for the loss of currency, money or stamps caused by burglary or robbery of your office premises.

Personal effects: The policyholder has the option to receive up to 5% of the value of his personal effects on the premises that are lost due to fire, smoke, explosion, vehicles and miscellaneous other causes. At the option of the insurance company, loss of similar property of others (employees) that is on the premises may also be included in coverage.

Debris removal: The insurance company will pay expenses in connection with the removal of debris occasioned by losses insured against in the policy.

Damage by thieves: When the policyholder is *not* the owner of the building his business office occupies, damage caused by theft or attempted theft is covered. This coverage includes losses to that part of the building that is occupied by the policyholder and which contains his property (including damage to plate glass); and loss to equipment pertaining to the operation of the building.

General average or salvage charges: The insurance company will pay any of these charges for which the policyholder may be liable.

Off premises: The policyholder can also collect a portion of his loss when items covered by the policy are elsewhere than at the regular premises. The figure is up to 10% of the largest item covered by the insurance. However, this applies only to items within the continental United States or in transit in Canada, and does not apply to items removed to any other premises owned, leased, operated or used by the insured.

"Fine print" exclusions are minor

The new policy is about as broad as a property insurance policy can be. But prospects for it should realize that along with the stated extensions of coverage there are certain exclusions. These exclusions, or limitations, are necessary because all risk assumptions must of necessity be concisely defined. The exclusions cover both certain properties and certain perils.

Property exclusions: Stocks of merchandise, salesmen's samples, and materials or supplies that have been entered into the manufacturing process are stipulated as property exclusions. Books of record, manuscripts, drawings, card index systems and other office records are covered only for their actual cost as blanks, plus the actual cost expended in transcribing or copying them. As stated above, currency, money and stamps—as well as bullion, notes, securities, deeds, accounts, bills, evidence of debt, letters of credit, tickets—that sort of thing—are covered only in an amount up to $250, and then only when loss is caused by burglary or robbery of the premises.

Another exclusion pertains to neon signs and other automatic or mechanical signs. These are insured only against certain loss causes, such as fire, explosion, riot, vehicles (but not against theft, for example).

Peril exclusions: The number of peril exclusions is so large as to appear, at first glance, to nullify the so-called all-risk character of the new policy. But they do not. It has never been possible to insure against "anything and everything" that could conceivably happen in a risk area. Some limitations always must be imposed. Earlier insurance policies set up so many limitations that they sparked general criticism, or such waggish comments as: "The insurance company will insure only pig iron under water."

Today, on the other hand, coverage is getting broader; the insurance industry has shown a tendency to reverse its thinking by saying: We will insure against all risks of loss or damage except those that we still feel it is necesary to exclude in the interest of sound underwriting.

Sixteen perils are excluded in this new form, and you should read them all. In general, they are the standard exclusions found in many property insurance policies, such as damage from flood, earthquake, contamination, changes in flavor or coloring, the mysterious disappearance of property, and fraudulent or dishonest acts. Losses caused by acts of war, enemy attack, or by order of civil authorities in resisting enemy attack are also excluded.

You should read these exclusions —yes. But you should not be too concerned about them: they are the perils against which insurance is not generally available anywhere, except perhaps by special and costly arrangements with Lloyd's of London, or other traditional insurers of the unusual and the bizarre.

Prospective users of the new policy should also realize that it always limits the insurance com-

pany's liability to sums in excess of the first $50 for any one loss occurrence. However, this limitation does *not* apply to losses from many of the important causes: burglary or robbery, sprinkler leakage, vandalism or malicious mischief, fire, explosion, smoke—or a number of others.

How the co-insurance works

Then there is the co-insurance clause, an important feature included in many different kinds of insurance but still widely misunderstood. Co-insurance is an arrangement which makes the policyholder a co-insurer with the insurance company under certain circumstances. A co-insurance clause is included in the new policy if such a clause is contained in the basic fire policy to which the new form is attached. And it applies in the new policy at the same level that it applies in the basic policy.

A standard fire co-insurance clause requires insurance to a level of at least 80% of the value of the property covered. In a loss situation, it would work out like this:

Suppose a value of $10,000 for your property. An 80% co-insurance clause requires you to insure 80%, or $8,000, on pain of a penalty settlement in the event of a loss. If you do so insure up to the minimum level stipulated by the co-insurance clause, and you have a loss of, say, $1,000, the adjuster will pay you 100% of your $1,000 loss.

But suppose you have only $6,000 of insurance. That would be only three-fourths ($6,000 over $8,000) of the amount of insurance you should have, according to the co-insurance clause. In this case, assuming the same $1,000 loss, the adjuster would pay you only three-fourths of your loss, or $750. You would thus be acting as your own insurance company, or co-insuring one-fourth of your own risk.

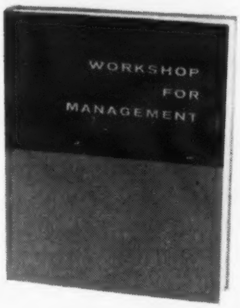
When looking into the new office furniture and fixtures policy, it may be well to check the co-insurance clause of your existing fire policy. Make certain that you carry enough coverage to assure 100% settlement of all losses.

How much does it cost?

There is one thing more—rates. The rates for the new policy vary somewhat from state to state. Gen-

Which of these questions do you want answered about electronic office systems and equipment?

- ☐ What are other firms in our industry doing with electronic equipment?
- ☐ Must we radically reorganize our operations for office electronics?
- ☐ How can we re-train present employees for office electronics?
- ☐ Where can we make the most savings with electronic office systems?
- ☐ How can we avoid costly mistakes with electronic office operations?



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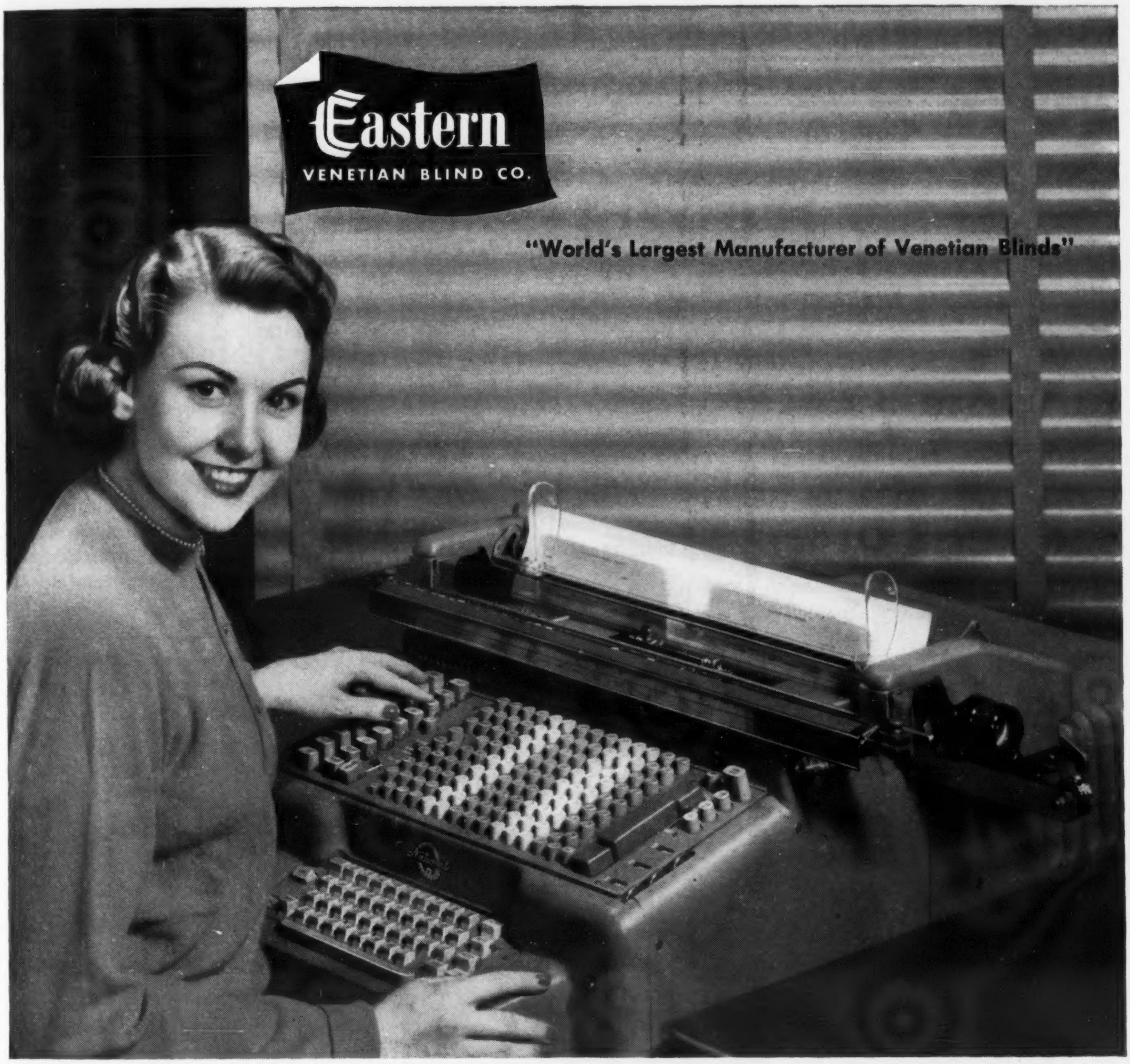
erally, though, they consist of the regular fire and extended coverage rate plus a loading for the amount of office contents coverage desired. A typical loading in addition to the fire and extended coverage rates might be 15¢ per $100 of insurance (with an 80% or higher co-insurance clause) for the first $5,000 of coverage, 10¢ for the next $20,000, 5¢ for the next $50,000 and 2¢ for all coverage over $75,000. Obviously, the added coverage is not going to be expensive.

You may decide to judge your actual loss potential yourself, although using an outside appraiser is often wise. Theft of expensive equipment is the biggest hazard. Even in big city office buildings, where pass-out slips are rigidly required before anything is permitted to leave the premises, losses of check-writers, typewriters, duplicating machines, cash machines and similar items are occurring daily. The insurance industry's loss ratios for these items have zoomed markedly in the last two years.

Why, then, is this broader form of coverage now being offered? Just this: There are millions of dollars of insurable values in today's office installations that are not now protected. The insurance industry has devised the new policy covering these insurable values because it means they can write new business. The insurance man's thinking is that premium income increases in proportion to losses paid. But further, since loss ratios are controlled by law—rates must always be adequate but may not become excessive—line surpluses will develop as more companies make use of the new policy, and thus rates will be reduced. In other words, the greater the spread of risk, the lower the cost to the policyholder.

Equally important, as use of the new policy becomes more widespread, it will be possible to make policy refinements—and to finance the loss prevention activities that play an important part in modern insurance operations.

This Office Contents Special Form has already stimulated extensive interest among executives of business and industrial concerns. By the time you read this, the policy should be officially available in all states, the District of Columbia, Alaska and Hawaii. m/m



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Electronics:

(*Continued from page* 37)

There is, however, a compromise course of action that can be used to obtain the advantages of both the practical and visionary approaches. This compromise consists of, first, carrying out the planning for the visionary approach, then applying the practical approach as an interim step in putting the long-range system into operation.

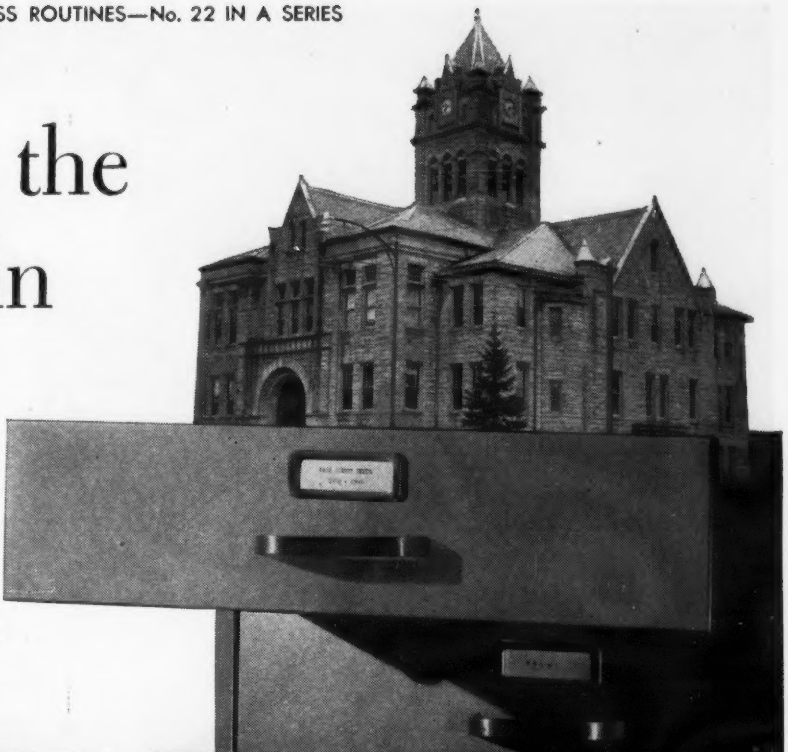
It is possible to make a long-range survey without actually getting into block-diagramming and development of machine instructions. In the process of conducting such a survey, it will be necessary to itemize the installation steps required to attain the desired goal. It will then be possible to determine whether some or all of the immediate benefits of the practical approach can be gained through a carefully directed interim step in moving toward the ultimate goal.

Even if it is found that the practical approach cannot be included as an interim step in the visionary approach, there is an advantage to be gained through this compromise. The advantage is that, through the detailed study, management will have provided itself with a full realization of the risks involved in anything less than a long-range approach to electronics. m/m

ABOUT THE AUTHOR

Rolla R. Ross has been connected with Joseph T. Ryerson & Son, Inc., since 1947, previously served on the sales staff of IBM Corp. He holds an M.S. degree from the University of Illinois, has continued his education in the field of electronics through a number of specialized training programs. He is a lecturer on automatic computers for business systems at Illinois Institute of Technology, and member of the Chicago Chapter of the Systems and Procedures Association.

"Like having the courthouse in our files"



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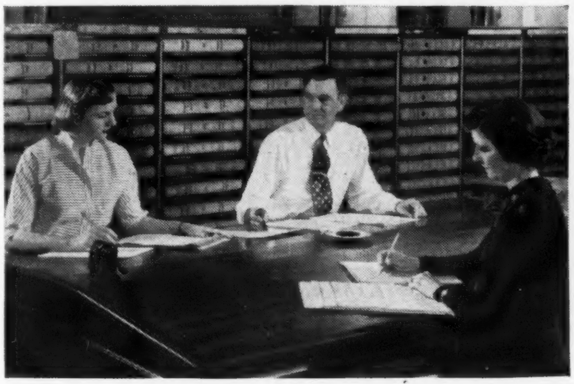

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by Bill Ruder and David Finn
Ruder & Finn Associates, New York City

How to handle a NEWS RELEASE

The competition for space and time of news media is tighter than ever. That's why it takes specialized knowledge now to handle even "routine" news releases—and get results. Here are some tips that will help your company to do a better job.

Most executives don't stop to realize that many of the actions of their companies contains news value—and thus public relations value.

Take the case of the two firms that merged recently. Weeks were spent working out every aspect of the merger, but not until the day before it was to take place did the managements of the two firms think of sending releases to the newspapers. At that point, it was too late to do an effective, well planned publicity job.

A company doesn't have to merge to make news. A new product, the acquisition of a new building, an executive promotion, a trip by the sales manager, a speech by the president—these and hundreds of other company actions represent public relations opportunities. But every day companies are leaving these opportunities unrequited.

At the other extreme are the firms that send out bushels of news releases at the drop of a hat. These are often long and detailed "news" stories written solely from the company's own point of view and with little consideration of editors' or readers' requirements.

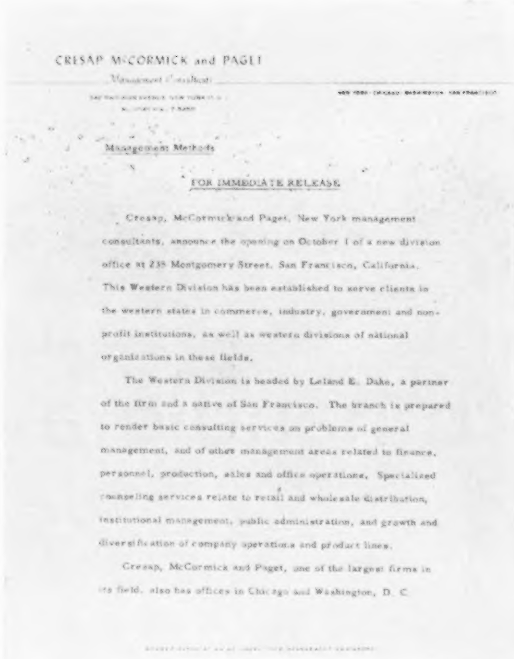
Editors are constantly seeking news and feature material to fill their columns. But editors resent material—contributed by the non-press-wise company—that merely consumes their time and helps to fill their wastebaskets.

It costs money to operate a news medium. Newspapers, magazines, radio, television and other media are finding that now as never before their costs are mounting. Editors cannot afford to staff their papers with sufficient personnel to select, evaluate and rewrite all of the material they receive—especially when so much of it is badly conceived, based on poor judgment—or even sent to the wrong editor! An ever-increasing volume of news that "might have been" is instead disposed of—simply because editors can use only the small portion of material that is properly designed for their needs.

The result is this fact: if a company wants editorial attention today, it must possess the services of specialists or professionals in the field. This is the role of the public relations man—be he a full-time or part-time PR specialist within the company, or an outside PR counsel. The only alternative for the executive who does not have such specialists available to him is for him to become expertly qualified in the area, himself.

Actually, the techniques of news handling are not difficult to master—but most executives inexperienced in this function find it difficult to stick to the rules. One rule, for example, is that the editor knows best what his needs are. Yet many an executive—and some PR specialists too—have caused antagonism and poor press relations by attempting, for example, to persuade a reluctant editor to use a release once it has been turned down.

The first step in preparing a news release is to know what makes news. This knowledge usually results from experience, either in public relations or on the other side of the desk, in the field of journalism. Generally speaking, news is any



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Management Methods

FOR IMMEDIATE RELEASE

Cresap, McCormick and Paget, New York management consultants, announce the opening on October 1 of a new division office at 235 Montgomery Street, San Francisco, California. This Western Division has been established to serve clients in the western states in commerce, industry, government and non-profit institutions, as well as western divisions of national organizations in these fields.

The Western Division is headed by Leland E. Dake, a partner of the firm and a native of San Francisco. The branch is prepared to render basic consulting services on problems of general management, and of other management areas related to finance, personnel, production, sales and office operations. Specialized counseling services relate to retail and wholesale distribution, institutional management, public administration, and growth and diversification of company operations and product lines.

Cresap, McCormick and Paget, one of the largest firms in its field, also has offices in Chicago and Washington, D. C.

NEWS RELEASE

Example of a good news release. Note clean, simple design, ample space for editor to add headline.

timely piece of information that is of interest value to the general public, or a segment of the public.* Particularly in business and industrial public relations, it is well to remember the maxim that "names make news."

Knowing what makes news is important; but it is only the beginning. Here are some tips in the various other areas that must be covered if company news is to be turned into effective public relations.

News sources: In your company there is at least one person well qualified to ferret out good news material. This person should be assigned the job of news gathering. He may be the president—or he may be someone who is not in the executive hierarchy at all. In many companies, the editor of the employee newspaper serves double duty by gathering information for outside publicity releases.

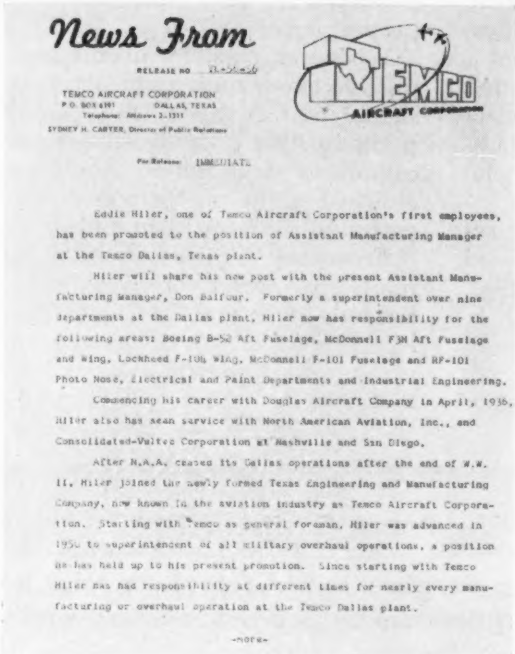
The news gatherer should be supported in his job in every way possible—through assistance, through company policy, and through workable procedures. He should be kept informed. He should be both guided by management, and have management's ear in presenting his ideas and his publicity suggestions.

Release lists: A news release can be no better than the mailing list used to distribute it. Companies most successful in news handling maintain what is known as a media profile. This is a listing of publications broken down into various categories, so that releases are sent to only those categories in which they really apply.

One industrial ceramics firm has given especially strong emphasis to the importance of its publicity mailing lists. The agency handling this company's public relations program has been instructed to maintain addressing plates for all types of general and specialized publications related to the industrial ceramics business: architecture, business, chemicals, banking and engineering—to new products, industry, schools, traffic and warehousing. The number of publications in each of these categories runs from 10 in the new products field to 82 in the industry field. And the lists are not restricted to publications: they include also associations and other organizations that the firm considers to be part of its "public." The total lists consists of 585 names.

One advantage in having such detailed and diversified lists is that the average company's activities have many ramifications, reaching far beyond the limits of local newspapers and trade publications. Many firms owe their wide-spread

* One public relations agency has compiled a "Guide for Finding Good News Stories." It lists such items as company history, activities personalities, policies, research projects, promotions, employees, slogans, symbols, and community participation—with a breakdown under each heading. Copies are available on request to the authors of this article, care of MANAGEMENT METHODS.



News From

RELEASE NO

TEMCO AIRCRAFT CORPORATION
P.O. BOX 6191 DALLAS, TEXAS
Telephone: AMherst 2-1311
SYDNEY H. CARTER, Director of Public Relations

For Release: IMMEDIATE

Eddie Hiler, one of Temco Aircraft Corporation's first employees, has been promoted to the position of Assistant Manufacturing Manager at the Temco Dallas, Texas plant.

Hiler will share his new post with the present Assistant Manufacturing Manager, Don Balfour. Formerly a superintendent over nine departments at the Dallas plant, Hiler now has responsibility for the following areas: Boeing B-52 Aft Fuselage, McDonnell F3H Aft Fuselage and Wing, Lockheed F-104 Wing, McDonnell F-101 Fuselage and RF-101 Photo Nose, Electrical and Paint Departments and Industrial Engineering.

Commencing his career with Douglas Aircraft Company in April, 1936, Hiler also has seen service with North American Aviation, Inc., and Consolidated-Vultee Corporation at Nashville and San Diego.

After N.A.A. ceased its Dallas operations after the end of W.W. II, Hiler joined the newly formed Texas Engineering and Manufacturing Company, now known in the aviation industry as Temco Aircraft Corporation. Starting with Temco as general foreman, Hiler was advanced in 1950 to superintendent of all military overhaul operations, a position he has held up to his present promotion. Since starting with Temco Hiler has had responsibility at different times for nearly every manufacturing or overhaul operation at the Temco Dallas plant.

-more-

NEWS RELEASE

This release could be improved by less distracting heading, use of more open space on the page.

reputations to a detailed and carefully prepared media list. Of course, maintaining the mailing list on an up-to-date basis is vital.

Writing the release: A press release should be short and to the point, generally a single page of double spaced typing. Seldom should a release be longer than two pages.

The first sentence should tell the basic story. The opening paragraph should contain all of the basic facts as to who, what, where, when, why, and how. Then the following paragraph, written in short sentences, should unfold the additional facts in orderly sequence.

Once the release has been written, it should be carefully edited to make certain that no tangential facts or unnecessary details have been included.

The news release form: Despite the array of colorfully printed news release forms, experience shows that releases that are designed with simplicity and good taste, or with no printed heading at all, make the best impression on editors. Fancy, flambuoyant forms tend to antagonize the editor—who feels that the sender is attempting to catch his attention with the design of the form, rather than with the story itself.

Regardless of form used, every release should contain certain basis information: mailing or release date; name, address and telephone number of your company; and the name of a person in the company who can be called on for additional information.

Illustrations: Photographs or other visual material may add measurably to the effectiveness of a news release provided they are directly applicable. As with news releases themselves, news photos require specialized skill. They should be authentic, produced with sharp contrasts, and *not* re-touched. They should not be mere adaptations of advertising photos—with professional models and everything precisely in place. Instead, they should show the product or person or happening exactly as it is.

Editors know that most of their

ABOUT THE AUTHORS

William Ruder and David Finn founded the public relations firm of Ruder & Finn in 1948. It has since grown from a two-man operation to one of the six largest PR firms in the country, with 50 people at its headquarters and a network of representatives in over 190 cities.

readers prefer to look at a picture than to read printed words. Thus, an editor is more likely to accept a news release if it is supplemented by a good photograph, and readers are more likely to give your published news their attention if a picture appears with it.

Care should be taken in the selection of photographs to be used for publicity purposes. Candid, action photos are good; stilted, posed photos are bad. However, if a release deals with an individual, such as an executive who has been promoted, a head and shoulders portrait is best.

Whenever possible, photos supplied to newspapers and magazines should be full size—8" x 10"—and printed with a glossy finish. A brief caption or identification should be attached to the photograph itself—pasted to the back, then folded.

Frequency of release: Send news releases whenever you have news—but *only* when you have news. Releases containing trivial items blown up to appear important serve only to cause the editor to lose confi-

What About The **Press** Conference?

It's as important to know when *not* to have a press conference as when to have one. The rule to follow: if news can be properly disseminated in a simpler way, then don't have one. The press conference technique should be reserved for only big or complex stories. Its purpose is to provide reporters and editors with a direct, face-to-face presentation of the facts, and a chance to ask questions.

There's a big distinction between a press conference and a press party. The conference is for vital news you want to break at a particular time. A press party has no such immediacy; the news presented is usually of a feature or background nature, like a tour of your plant or offices. Primary aim of the press party is good will and prestige for the company.

Be prepared for problems. Chances are you'll need an additional few hundred dollars over what you've budgeted. And you'll find that only a fraction of the invited members of the press will attend.

Timing is important. Check to make sure no important competing event is scheduled for the same day. Tuesdays, Wednesdays and Thursdays are best; mornings for daily newspapers, lunch or cocktail hours for general attendance—including trade and consumer magazine editors. Special events may require a dinner. Whatever the time, make a schedule and stick to it. Keep the conference moving, and keep it brief.

The locale may make a difference. A financial story for dailies can be told just before noon at a good, convenient hotel—with no frills. Plan something unique if the meeting is for women's page editors (one company introduced a new product at a "cook-out" in a Greenwich Village garden).

Provide the press with something they can take back with them, preferably a press kit of written information. If it's a big group, it may help to prepare special kits marked "financial," "radio," "industrial publication," and so on.

Good photos should be provided, but be prepared for requests for special or exclusive photos. If possible, give special attention to providing for photo or newsreel setups for action pictures covering products and personalities.

For dramatic effect, extend invitations by wire, or try something "different"—a woodcut invitation to a conference introducing a new woodcutting kit, for example. Send invitations 10 days or two weeks in advance, follow up with personal phone calls two or three days before the event.

Seldom does 'cheesecake" add value to a news photo. The example at right, although obviously posed, does better job of highlighting product features.

dence in even the important news that you send him.

This does not mean that releases should not be sent at regular and frequent intervals provided they contain something of interest and value to the readers of publications on your list. A good news release clears a path of acceptance for the next, regardless of the time interval between them.

Timing of stories: A single project can sometimes be the subject of a series of releases. For example, one company conducted a contest primarily for the purpose of stimulating interest in its new product. A release was distributed announcing the decision to conduct the contest; another announced the judges, a third, the beginning of the contest; a final release, with pictures, featured the contest winners and described their prizes.

Speed is an important factor in releasing news. Generally speaking, it is good practice to mail releases at least two days ahead of the release date, so that the editor receives the story at least one day before it should appear in the paper. Never use a news release as a followup to an advertised announcement; news should always break first in the editorial section, then, if appropriate, in an advertisement.

Clipping services: How do you measure the acceptance of your news releases, and their effectiveness? Although there is no wholly satisfactory means of accomplishing these purposes, the most acceptable is through the use of clipping services.

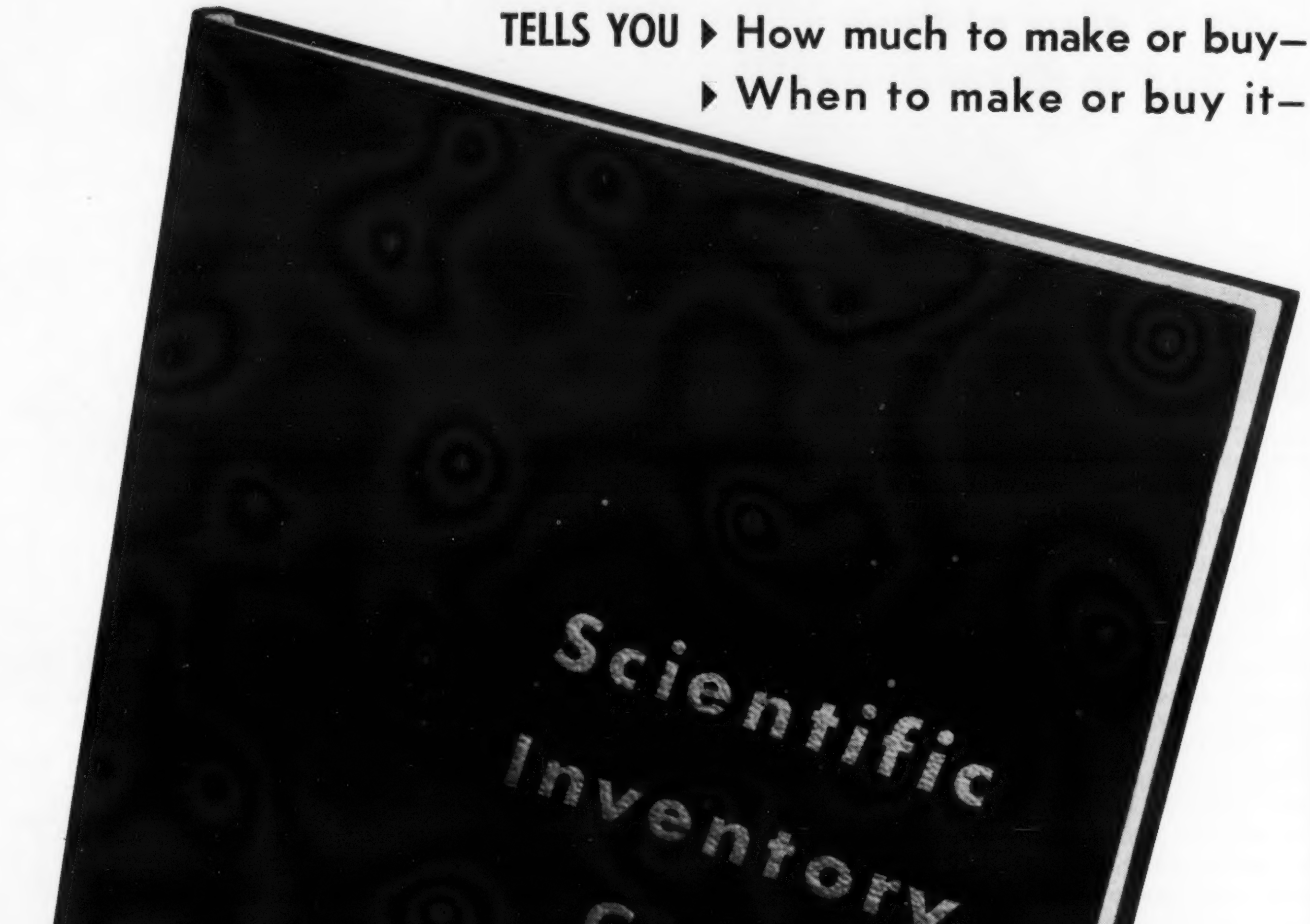
Most clipping services specialize in a given area; some concentrate on dailies, some on weeklies; some have national scope, others give only regional coverage; some clip the general press, others concentrate on trade journals.

Generally speaking, a clipping service can be obtained for approximately $12 a month with an additional charge of about 15¢ for each clipping sent to you over a certain quota per month. All public relations agencies subscribe to such services on behalf of their clients. Studies have shown that clipping services are able to locate only about 10% of the stories published on the basis of a given release. However, such samplings are a gauge to the effectiveness of your news releases.

Far more important, the clipping service provides you with an opportunity to merchandise your publicity. Every major release that appears in print should be called to the attention of the people with whom you do business. Companies experienced in handling publicity, for example, distribute reprints of their clippings to their salesmen. Reprints of news stories have been proven to be valuable selling aids. m/m

Slash the cost of carrying

TELLS YOU ▸ How much to make or buy—
▸ When to make or buy it—



thought starters

Thought Starters deal with "practical solutions to administrative problems." The Editor invites contributions—which are paid for at our normal space rates.

PUBLIC RELATIONS

Personal public relations kit for sales executives

A "packaged public relations program" for the individual is designed for sales executives and personnel. Its purpose is to create contacts when none exist, and to develop present contacts into friendly customers.

The "package" contains personalized correspondence cards in 10 categories: Anniversary, Apology, Birthday, Condolence, Congratulations, Contacts, Get Well, Meeting New People, Miscellaneous, and Thank You. They are personally imprinted with matching envelopes. Personal data cards are provided to keep a record of contacts and their families, with monthly and category indexes.

For more information, circle number 848 on the Reader Service Card.

VACATIONS

Year-end vacations offered at no extra cost

The Northrop Aircraft, Inc., of Hawthorne, Calif., provides its employees with a Christmas week vacation at no extra cost to the company. This bonus vacation is given in addition to the regular annual vacation.

The extra vacation is achieved by means of a unique distribution of normal paid holiday and sick leave time. According to John B. Clark, industrial relations director, the company should allow each employee 168 paid hours annually for all reasons. By cutting the number of paid holidays and the sick leave allowance, he was able to devise this vacation schedule:

Typical annual vacation plan

Annual vacation	80 hours
Annual sick leave	40 hours
Six paid holidays: Christmas, New Year, Memorial Day, July 4, Labor Day, Thanksgiving	48 hours
Total	168 hours

The Northrop plan

Annual vacation or sick leave	96 hours
Year end vacation	40 hours
Four paid holidays: Memorial Day, July 4, Labor Day, Thanksgiving	32 hours
Total	168 hours

Benefit of the plan to the company is difficult to estimate. However, absenteeism, which ordinarily is high around the holiday time, is cut sharply. The company also benefits from higher production which occurs after the workers return from their year-end vacations. Morale is boosted also, particularly among workers with families. Christmas provides an ideal vacation time for them because it affords them an opportunity to spend time with their children, also on vacation from school.

The company initiated the year-end vacation program in 1946. This past year, all employees left at the end of their shifts on December 23, and returned to work Tuesday, January 3. To make up the extra day, Monday, January 2, many employees worked Saturday, Jan. 7.

The hourly paid personnel receive a check for 40 hours for the vacation period. Salaried personnel receive a regular weekly paycheck. Both checks are distributed on the last day before the vacation.

(Circle 760 for more information)

METHODS

A system for the preparation and control of manuals

by George Biek
General Foods Corp.

A little ingenuity and a small amount of money were the keys to a new system for the preparation and distribution of company manuals at Sperry Gyroscope. The results were easier and faster preparation, better control, and a $5,000 annual saving in printing.

There were four manuals in use within the company. Under the old system, the Standards Department held a master card and addressing plate for each person who had been given one of the manuals.

All the extra sheets comprising each manual were stored in a file cabinet, arranged in page number order. As a manual was assembled, one sheet was taken from each consecutive folder in the file. Due to limited file space, only 100 sheets of each of more than 400 pages were kept and ordered at a time.

Each year, a list of the latest pages was sent to each manual holder, and he checked his copy for pages needed.

Study showed that some engineers and shop people held as many as three out of the four company manuals. This indicated duplication in the Standards Department's control cards and addressing plates.

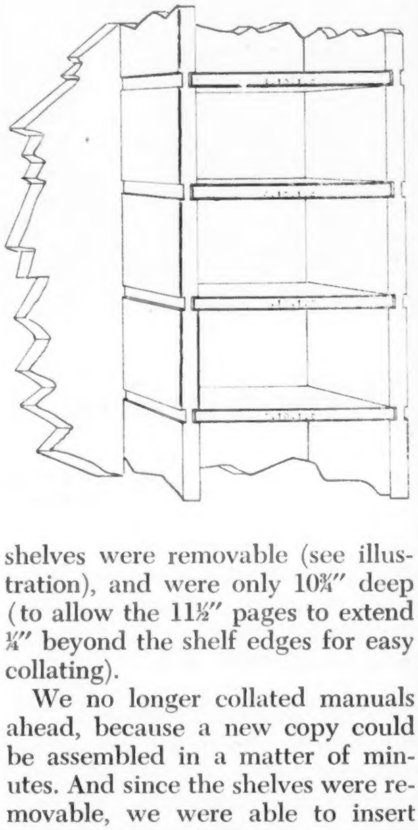
Under the improved system, all duplications of cards and plates were eliminated—one card and plate for each manual holder, regardless of how many manuals he held. The improvement was made by redesigning the master cards and coding the addressing plates.

A form which was prepared weekly showed all new, changed and deleted names. This was submitted to the addressing unit for proper action. A 3" x 5" card with an impression of the latest addressing plate served as a master. Added to the card in spaces provided were the serial numbers of each manual held by the addressee. The old master cards were destroyed and the new ones were filed in straight alphabetical order.

An analysis of past printing orders showed that about 300 replacement copies of each page in each manual were needed annually. We were printing only 100 sheets

at a time because of limited storage space. Since 200 additional sheets could be printed at a cost of less than 25% of the cost of the first 100, our cost of printing could be reduced by 60% if we could overcome the storage problem. To do so, we had shelving installed along two walls of a conference room, with a curtain across the front of the shelves. Only one foot of space was taken from each of the room's dimensions, and we were still able to accommodate the same number of people in the room.

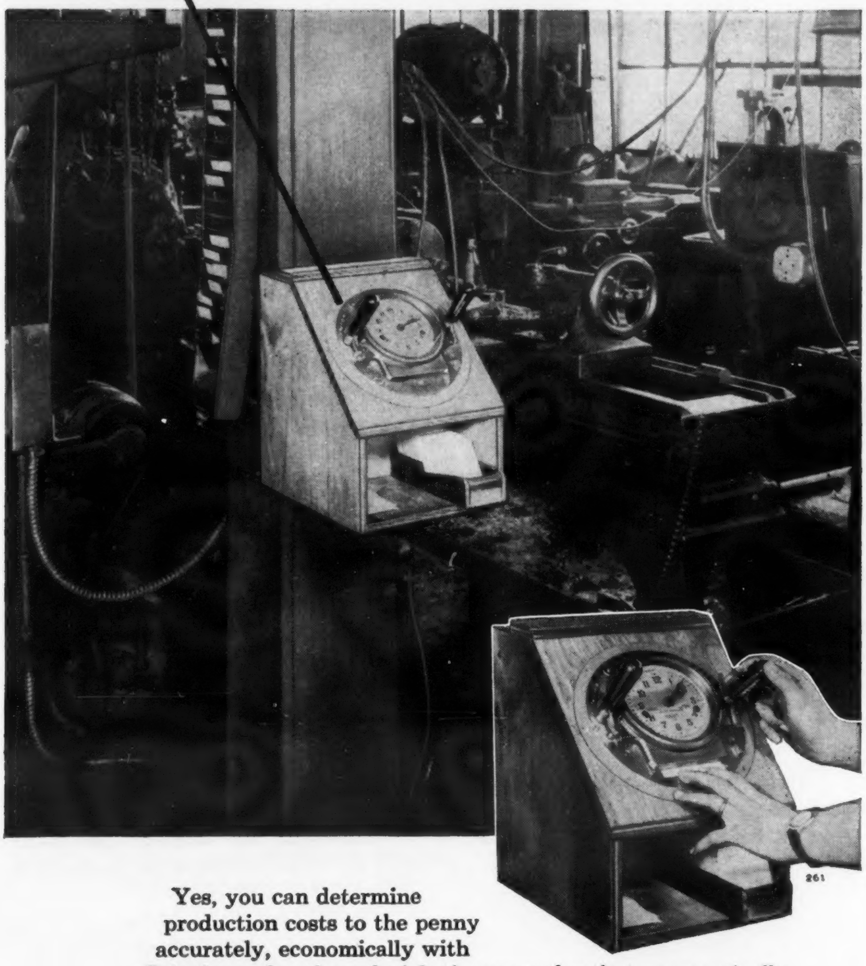
Building the shelving was the largest expense, but the savings made in printing and collating paid this cost in a few months. All



shelves were removable (see illustration), and were only 10¾" deep (to allow the 11½" pages to extend ¾" beyond the shelf edges for easy collating).

We no longer collated manuals ahead, because a new copy could be assembled in a matter of minutes. And since the shelves were removable, we were able to insert new pages into the storage arrangement by simply removing certain shelves, holding their separate pages, and inserting them in their appropriate new locations.

We arranged to correct all outstanding copies of each of the four manuals once a year, so we canvassed holders of one manual each three months, to even out the load for the clerk. As the requests for new pages were received, it was an easy matter to fill them since all of the extra pages were always available, easily accessible, and always in exactly the proper order.



EXECUTIVE

New literature of interest to management

ACME BOOKLET DESCRIBES HOW CONSULTANTS SERVE BUSINESS

A discussion of the difficult problem of selecting a management consultant highlights this brochure published by the Association of Consulting Management Engineers. It also furnishes a broad picture of the varied management consultant services and the specific business needs they can fill.

For a free copy, circle number 844 on the Reader Service Card.

READY REFERENCE CHART FOR SELECTING A CONFERENCE TABLE

A new supplementary catalog offers a comprehensive selection of conference tables from 3′ in diameter to 28′ in length. The booklet incorporates a ready conference chart for the selection of the proper size tables, either for a given room dimension or particular seating requirement.

For a free copy, circle number 851 on the Reader Service Card.

NEW FILING BOOKLET COVERS ALL NEEDS

A new booklet outlines complete supplies for efficient filing operations. Also included is a File Analysis Sheet, a description of Integrated Name Filing, and Middle Digit Filing.

For a free copy, circle number 852 on the Reader Service Card.

PACKAGING AND CARLOADING GUIDE OFFERED

A handy, new 48 page booklet tells how to package and carload for maximum product protection at minimum cost. A complete line of packaging and carloading materials are also shown and described, and instructions are given in their application. Whether shipment is done in cartons or on skids, loading done in closed or open top freight cars, this booklet should be of value.

For a free copy, circle number 853 on the Reader Service Card.

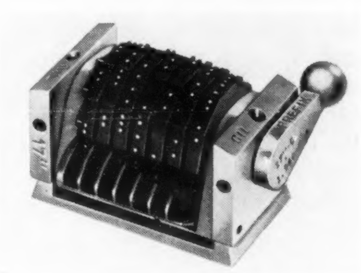
consensus

ELECTRONIC BRIEFS WORTH REPEATING

Numbering machine for data processing

A new numbering machine prints dots, dashes or specially shaped figures, instead of conventional numerals. These code markings, which actually represent serial numbers, can be printed on documents like checks, order forms and many other types of commercial papers used in electronic data processing.

The specially designed convex head numbering machine



can be used on rotary printing presses to print the dots corresponding to consecutive serial numbers, simulating five-channel tape. This unit prints numbers exactly the same way that tape would ordinarily be perforated. Electronic scanning of printed numbers is achieved by reflected light or magnetic ink, instead of the perforated hole or feeler type of sensing.

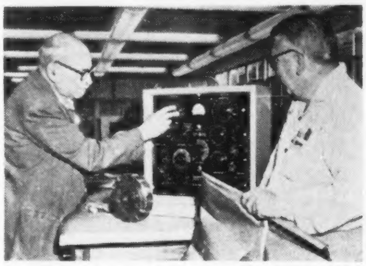
For more information, circle number 847 on the Reader Service Card.

Computer sets machining standards

A carbide and high-speed steel tool manufacturer can virtually set up machining standards for customers on request.

To get around the usual time lag in setting such standards, O. K. Tool Co., Inc., Milford, N. H., has equipped its headquarters with a new Carboloy machinability computer.

To utilize the computer, the



company first sends out a prepared questionnaire to its customers, who fill it in with information concerning specific machining jobs.

The company then feeds this information into the computer, and immediately supplies the customer with the proper information on speeds, feeds, depths of cuts, tool life, and rate of metal removal recommended for the horsepowers available on the machines.

The machinability computer can also be used to supply answers for complex as well as single-point cutting tools.

For more information, circle number 845 on the Reader Service Card.

Computer retains one problem while solving another

The new Univac Scientific 1103A is claimed to be the only machine in the world versatile enough to interrupt one complex problem to solve a new, high priority problem, while retaining all work on the first in its "mind" for subsequent solution. This computer will solve some of the problems involved in the development of intercon-

tinental ballistic missiles at Lockheed. It will be the heart of the Lockheed missile division's computer center in its new research laboratories at Palo Alto. The center, one of the most completely equipped in the missile industry, also includes other digital computers in addition to analog computers.

The 1103A features two high-speed memories—a magnetic core unit and a magnetic drum unit. Each of the memories has different storage and speed capabilities, which provides a versatile operation. The magnetic core has rapid-access storage for 4,096 "words"; the magnetic drum has a memory capacity of 16,384 "words."

Magnetic tapes are often used as individual memories with each tape holding 383,000 words, or more than 13 million digits, which can be used at any time for either input or output functions.

The Univac Scientific performs 41 different arithmetic and logical operations. It can be fed instructions and initial data four different ways—on magnetic tape, punched cards, punched paper tape, or manually.

Punched tape duplicator

A high-speed punched paper tape duplicator has been developed which can convert any number of individual tapes into one composite tape. It produces codes simultaneously at the rate of 20 codes per second or 1200 codes per minute.

The unit prepares composite tapes for such applications as wire transmission, computer input, tape-to-card converters, and other tape-operated equipment. Its primary feature is that it speeds up data processing by creating, quickly and easily, one tape containing all of the information necessary for continuous activation of other tape-operated machines.

For more details, circle number 850 on the Reader Service Card.

The following four pages contain a portfolio of two diverse solutions to the design of a conference area. Each was a 1956 "Best Place to Work" award winner.

How to house a conference

To many a businessman, the conference or board room connotes precious space expensively decorated—and seldom used. In some firms the description fits. If so, the fault lies in management's unawareness of the fact that such valuable space can be put to multi-purpose use.

In all but the rarest instances—the Uris Brothers board room on page 80 is one of these rare instances—the conference area need not be a sanctum designated for "executives only." Consider a few of the uses to which a multi-purpose conference area can be put: a place to receive salesmen who must carry samples or large plans or layouts; an auxiliary office for visiting executives or customers; a meeting place for employee committees and clubs; a place to project business films or slides; a compatible area for making sales presentations to your own customers.

The Functional Approach

Here are four questions worth thinking about in planning any conference area:

1. Can you plan for expansion and contraction by using sliding or folding walls?

2. Is the room located where it is properly accessible to all the people who do or should use it?

3. Do you really want to have a phone in the room? (When it is necessary, a sound conditioned alcove or booth is recommended).

4. Have you planned to schedule its use? To avoid conflict, it is wise to place one clerk in charge of scheduling the use of your room.

NOTE: *The conference illustration on this page features Lewis H. Glaser (right), subject of this month's "Profile of a New Kind of Manager." See story on page 40.*

The new Texaco multi-purpose meeting room is conceived to accommodate different type functions as well as conferences of varying size. Although commonly called the "Stockholders Meeting Room," which would imply that its usage is reserved for a major annual event, the name is merely a hold-over from a condition prior to re-design. With its flexibility and facilities it is in use almost constantly (so much so that, to take photos, it was necessary to carefully schedule well in advance, in order to have all areas available).

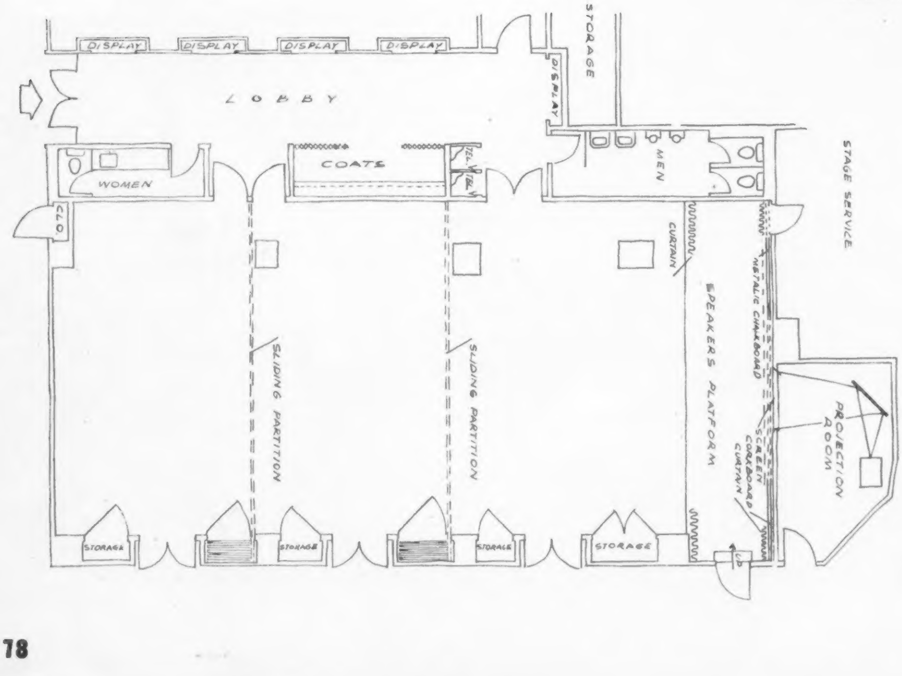
The full area (picture #1) can be divided into three smaller areas (pictures #2 and #3) each with its own controls, lights, loud-speakers, storage facilities and air conditioning. Movable walls of solid wood panels provide a maximum of sound control (picture #2).

Each section has plug-in facilities so microphones can be utilized from anywhere in the room during large conferences or meetings. Each section has its own speaker facilities tied into the "master"—all controlled at the speaker's platform (picture #4). When the general lights are off for projection purposes, recessed down-lights on rheostat control permit sufficient working light for the listener to take technical notes.

The speaker's platform can be arranged in a number of ways and for various purposes. It serves as a small stage, with the adjoining areas providing the necessary off-stage facilities needed when this room is used for employee shows, sales conferences with skits, and similar activities. Both the "house curtain" (closing off the stage from the seating area) and the "back

1 Movable walls can divide the conference room into three smaller rooms (2 and 3) each with

5

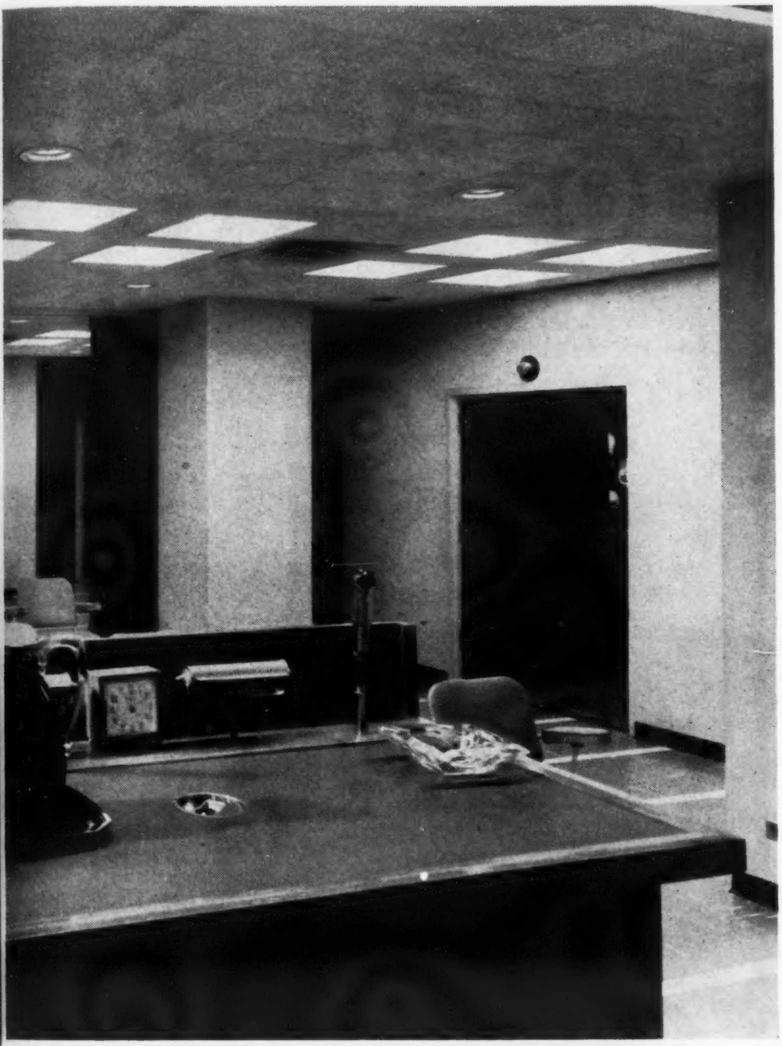


best board or conference room

CO-WINNER

The Texas Company
New York, N. Y.

Number of employees: 41,600



its own speaker's platform (4). Floor plan (5) shows proper arrangement for large meetings

drop" curtain are motorized. Also, on the back wall are large sliding backwall panels—floor to ceiling—giving a wide flexibility of use of this wall for functions being performed on the stage. These interchangeable panels are cork tack board and metallic "black boards," on which magnets can also be used. Behind this is a trans-lux screen permitting large rear projection of movies, and direct projection of original material such as photos, charts and drawings.

All sections of the conference area are served by the conference lobby—each having its own exit for emergency or for the departure of one group that might interfere with a group entering one of the other areas.

Colors and pattern of design, partitions, ceilings, floors and fabrics were used to reduce the importance of difficult structural conditions, to give width to the area, and to direct the interest to the stage. In addition, the floor pattern facilitates the proper placement of chairs for large meetings (picture #5).

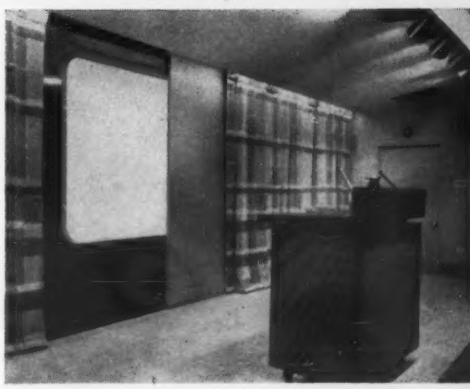
Flooring is of vinyl tile to simplify problems produced by smoking during conferences and meetings.

(*Continued on page* 80)

3

2

4



How to house a conference: part 2

Unlike the multipurpose conference rooms on the preceding pages, this conference area at Uris Brothers is frankly designed for top management convenience and comfort. The combination of a "table area" and a more informal conference lounge is a sensible solution to the needs of the firm's executive personnel.

A pair of eight-foot-high solid doors leads to the combined board and conference room. The seating group consists of a large sofa and several chairs covered in shades of off-white, green, and natural saddle tan leather. The center table has a white marble top. The large cabinet shown has a TV set behind tambour doors. The smaller units are for storage. The wall behind this group is covered in an off-white vinyl plastic; the carpet is in a deep shade of olive green. Curtains are off-white

Lounge and conference areas use 700 square feet. Note luminous ceiling over meeting area.

silk with pale green design.

In the entrance wall is a large cabinet with doors which correspond in design and size to the pair of entrance doors. This cabinet houses a complete bar with refrigerator and all other equipment.

A ceiling-height, clear glass partition, brass framed, serves as a visual separation between the two sections of the room. The section used for conference is equipped with a large, specially designed conference table, and with chairs in light beige leather. A continuous luminous ceiling provides light. m/m

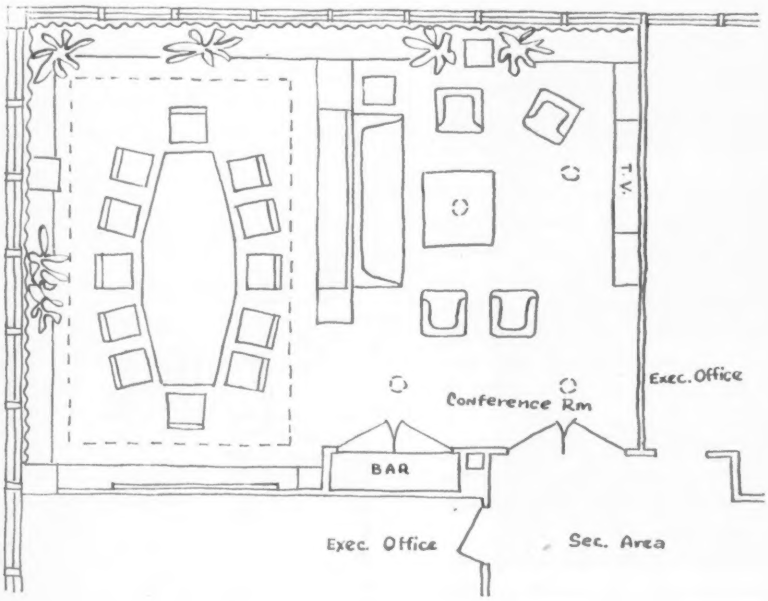
best board or conference room

CO-WINNER

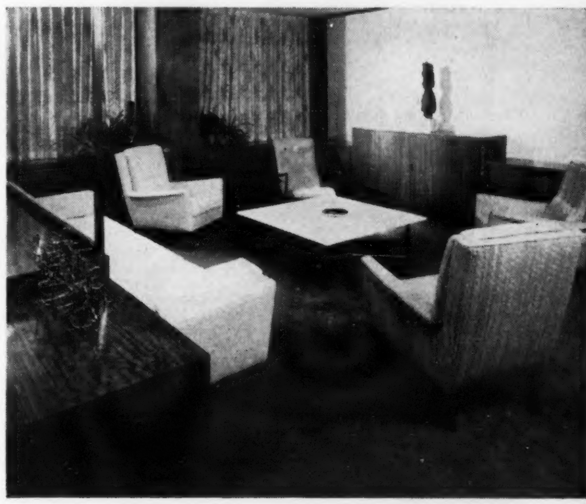
Uris Brothers

New York, N. Y.

Number of employees: 50



Floor plan (above) shows two sections of the combined board and conference room with separating glass partition, designed for top management.



Lounge area (top right) can serve for informal meetings. Cabinets in rear house a TV set behind tambour doors.

Handsome conference table (right) angles from center to ends to provide face-to-face visibility for all conferences.

work center — and design engineering, building, Plant and office location,

Load-bearing curtain wall saves time and money in building construction

Construction time can be cut in half and building costs reduced as much as 30% by a new "load-bearing" aluminum curtain wall building system. The new system, cut building costs to \$11.77 per square foot (from the \$15.00 average for the area) in constructing the one-story building pictured below. The

system can be used in the design of one-and-two-story manufacturing plants and small office buildings with great flexibility.

Under the program of the curtain wall manufacturer, all an architect has to do is draw his plans and elevations. They then fit the system to the design.

It is a rapid, low-cost building system which can solve the problem faced by many budget conscious companies.

In the building illustrated, a five-man team raised the walls of the 120′ by 40′ structure and bolted on rafters in one day each, and installed the steel deck in only two days. Thus, the shell of the building was finished in four days.

For more details circle number 854 on the Reader Service Card.

planning idea — Magnesium acoustical ceiling

Consolidated Edison Company, Inc., New York's supplier of electrical power, is using magnesium, fireproof, acoustical ceiling tiles in their machine accounting department to absorb noise. The tile design lends to the dignity of nearby executive conferences and offices.

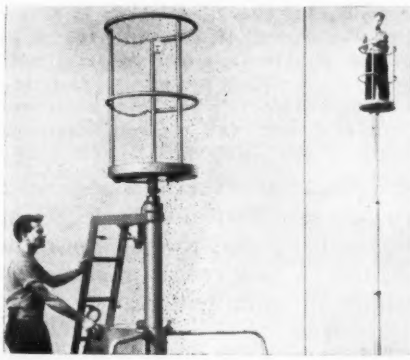
Each tile is factory cut, beveled and back cut. These factory finished production steps provide easy job installation and a uniform smooth surface in the finished application. The material requires little maintenance, and can be cleaned by a once-over with a brush or the suction from an ordinary vacuum cleaner.

Very white in color, the tiles have a light reduction of 81%, and also have a noise reduction coefficient rating of .75 at 500 cycles.

For more information, circle number 855 on the Reader Service Card.

plan-ning idea — "Bulb Snatcher" speeds removal of burnt lamps

A compact, mobile, hydraulic lift called the "bulb snatcher" reaches to ceiling fixtures to remove burnt-out light bulbs. Faster and safer than a ladder, the unit can be raised and lowered to its full 20 foot height in 45 seconds. Besides snatching bulbs, it can be used for painting, plastering, and repairing.



The device consists of a rigid frame on three wheels. It has a foot brake to prevent any movement when in use. It becomes a compact 30″ x 6′ 5″ package for storage when not in use.

For more information, circle number 856 on the Reader Service Card.

plan-ning idea — Metal baler turns scrap into profit

The management of Carson, Pirie, Scott & Co., Chicago department store, has discovered how to turn the expense of scrap metal disposal into income via a revolutionary new metal baling machine.

Before installation of the baler, discarded tin cans from the store's restaurants, paint cans from the maintenance department, wire coat hangers, and miscellaneous steel and wire strappings were accumulating at the rate of three to four tons a month.

Not only did the daily accumulation of scrap metals pose a storage problem, but disposal of scrap metal was an expense item.

Carson's had arranged with a scavenger service to make daily pick-ups of their scrap metals . . . at an annual cost of several thousand dollars. Today, Carson's is selling scrap metal at a profit.

Scrap is now brought to the Boiler Room where the baler is floor-mounted in a 12½′ x 4′ area convenient to elevators for easy loading and unloading. Then, once a day, a regular maintenance man bales the entire day's accumulation of scrap into compact 12″ x 12″ briquettes that weigh from 40 to 80 pounds each.

The baler is so simple to operate, it takes only one man 20 to 30 minutes to do a baling job. The small bales take only a small amount of storage space.

In terms of dollars and cents savings, the baler will pay for itself within 18 months time.

For more information, circle number 857 on the Reader Service Card.

Selecting salesmen in small companies

SALES TRAINING PROGRAMS IN CONCERNS WITH 50 SALESMEN OR LESS, Lloyd Ross Saltzman. National Sales Executives, Inc., 136 E. 57th St., New York 22. 47 pp. Paperbound. $5.

EDITOR'S NOTE: Given here is the first chapter of a new booklet just published by National Sales Executives, Inc. The book is based on a detailed survey of 400 sales executives in firms that employ fewer than 50 salesmen. In all the book consists of six chapters: selecting salesmen; types of small firms having training programs; planning and operating the training program; training procedures; evaluating the training program; and recommendations.

The proper selection of salesmen is the foundation on which a successful sales organization rests. If a company has failed to pick the right man for the job, neither a fine compensation plan nor a good sales training program will insure success for that company's salesmen.

Today the cost of hiring and training a salesman may run into several thousands of dollars—consequently, efficient sales managers are tending more and more toward scientific selection of trainees. This trend is true of small companies as well as large ones, as is shown in the answers which the executives of the smaller companies gave to the questionnaire.

All of the 400 respondents were queried on selecting salesmen, those without training programs as well as those who gave training. In the majority of cases, they named the sales manager as the main person responsible for the hiring of new salesmen. One in four of the respondents named the president or the vice president in charge of sales as the man responsible. In many small companies, of course, the president or other officer is also in charge of sales.

First steps

Planning toward the scientific selection of salesmen should begin *before* the prospective salesman applies

Testing of applicants and other selection methods are reflected in this report of study findings.

for the position. What type of applicant will be considered most desirable? Exactly what will be his duties and responsibilities?

The questionnaire asked the executives what preliminary practices they used to help them select the right trainees. Four suggested practices were listed on the questionnaire form.

Almost half of the respondents (181) checked: "Made a list of the characteristics considered most essential to the success of the salesmen." Two out of five checked: "Made a job description of the duties, responsibilities and degrees of authority of the sales force." This latter practice makes it much easier to select the right man for a particular sales job open.

Fewer than one executive in five checked: "Obtained the help of sales or management consultant" in selecting salesmen. Only one respondent in eight checked the suggested practice: "Recently made a study of present sales force concerning their likes and dislikes about their jobs, in order to strengthen the interviews with prospective salesmen."

The respondents were asked to name the one method they considered best for obtaining new salesmen. Their answers, (Table I, page 86), show a wide variety of methods. The most frequently mentioned source was newspaper advertisements, despite the fact that in the past, many executives have frowned on this method because they felt that the best salesmen simply were not attracted by it.

Techniques for selecting salesmen

Most popular techniques used by the respondents in selecting salesmen are shown in (Table II, page 86). Most firms used multiple interviews (by two or more executives) and application blanks, as well as a preliminary interview to find out if the applicant justified further attention.

Over half of the respondents used the telephone reference check, which they considered more reliable than the written reference check, used by 37%. Only 13.8% of the firms used one of the newer techniques—the complete, guided or patterned interview, which not only lists the questions to ask the applicant but also suggests how answers might be interpreted.

Tests for applicants

One of the interesting findings of the survey, particularly since only smaller firms were involved, was the fact that 90 firms (22.5%) used a battery or series of tests as an aid in selecting salesmen. Apparently the use of batteries of tests is growing. The percentage of use shown in this survey ranks high when compared with previous studies made on the subject.

Twenty-seven of the 90 firms reported using the

series of tests developed by the Klein Institute of New York City. Fourteen firms used the Wonderlic (Personnel and Intelligence) tests and 12 firms used the Kuder Preference (Interest) tests. The other most-mentioned tests are all well known and include, in order of use: the Otis Personnel, the Bernreuter Personality, the Strong Vocational Interest, and the Humm-Wadsworth Temperament tests. Over 20 other types of tests were also used, but were mentioned only once or twice.

Fourteen of the 90 respondents said they preferred to place the entire responsibility for the testing program on testing consultants. Various trade associations and colleges were also mentioned as suppliers of tests, each of the two groups servicing four firms. Only two firms relied on the battery of tests provided by their major suppliers—in both cases large, nationally-known companies.

In addition to the 90 firms using complete batteries of tests, some respondents said that they used only one of two types. Thus, 103 used aptitude tests; 84—personality; 80—intelligence; and 74—interest tests.

The questionnaire asked: *Who interprets the tests?* Of the 90 executives answering the question, 46 said they relied on outside experts. Twenty firms used a testing service; 10 used a management consultant; 10 used a psychologist; and six used an outside personnel

TABLE I—Best source or method of obtaining new salesmen

Best source or method	*Number*	*Per cent*
Advertisements in newspapers	65	16.2
Salesmen for similar type products (and competition)	51	12.7
Select men from within the organization	49	12.2
Open interviewing (applicants call at anytime—on their own initiative)	43	10.7
Recommended by employees, including salesmen	41	10.2
Employment agencies and professional personnel services	33	8.3
College placement service	32	8.0
Recommended by customers	29	7.3
Through trade publications	13	3.3
Sales forces of manufacturers that we represent	1	.3
Don't know	15	3.8
No answer	28	7.0
Total replies	400	100.0

TABLE II—Techniques used by companies as aids in the selection of salesmen

Techniques used	*Number*	*Per cent N=400*
Multiple interviews, by two or more executives	295	73.8
Application blanks	292	73.0
Preliminary interviews	269	67.3
Telephone reference checks	213	53.3
Written references	148	37.0
Battery or series of tests	90	22.5
Interview references personally	75	18.8
Complete, guided or patterned interview	55	13.8
Sales demonstration	19	4.8
Other techniques	79	19.8
No answer	62	

group. In 20 firms, the company's sales manager was responsible for interpreting the test and in 10 firms, the personnel manager handled the interpretation.

Correct interpretation of tests requires qualified personnel, which means that outside help is usually needed. It is hoped that those who interpret tests for their own company have been trained to do the job wisely and accurately.

Value of tests

Eighty respondents said they believed tests were valuable in helping to select salesmen, basing their answers on their own experience. A total of 132 qualified their answer by saying, "of some value." Only 33 answered, "of no value."

Of the 212 companies that believed tests were at least of some value, only 14 relied on the tests alone to select salesmen. A total of 128 respondents said they used tests only as one aid in selection, thus being consistent with the practice of leading sales authorities today.

a s l

BOOKS FOR MANAGEMENT

e o t

Leadership through speech

THE ROAD TO PERSUASION, *by William Muehl. Oxford University Press, New York. 1956. 254 pages. $3.95.*

Review by Charles S. Doerr*

Management men *must* assert leadership through speech. The successful manager provides himself with tools that will help him to speak better in all kinds of situations. One such tool is William Muehl's *The Road to Persuasion,* a handbook that belongs in the library of the new kind of manager.

The communication and persuasion sections of the book emphasize the dual necessity of understanding your own objective in each speech you give, and of gaining a prior understanding of your audience. Here are gathered together in an interesting and informative fashion all of the many elements of these important processes. To many, the points covered may seem familiar ones, but there will be general agreement that we usually fail to remember and practice at least some of them. These are presented not only in an instructive manner but are evaluated in a way that emphasizes their relative importance.

William Muehl's advice on speech preparation is direct, thoroughly practical, and complete. Prudish prohibitions, based on precedents, are not found in this book. Not only extemporaneous speech, but the manuscript speech and the memorized address are covered for those who have a preference or face the need for

* Charles S. Doerr, an instructor and consultant on public speaking, is executive secretary of The Engineers' Club of Philadelphia and editor-in-chief of the "Delaware Valley Announcer."

them. The author discusses sensibly the degree of usefulness of each type in diverse speaking situations.

In addition to treating fully and well the preparation both of the speaker and of his speech, the author writes with equal authority on speech delivery principles and skills. He lays at rest some time-worn, outmoded practices and admonishments, offering logical and entirely acceptable reasons for casting them out.

As extra dividends, Muehl gives valuable guidance in the modern and more specialized fields of radio and television speech. It is entirely possible that even platform speaking would be improved if a few of his recommendations for radio-television speech were adapted to it.

Further, every manager and junior executive could insure his greater effectiveness if he took to heart the relationship the author outlines of the principles of speech leadership to the proper conduct of meetings.

The Road to Persuasion offers comprehensive coverage of the philosophy and the techniques of speech leadership. A glance at the contents reveals its scope. Its treatment of any of the features already discussed alone would justify its use by the new kind of manager.

Supervisors or just talkers?

INFLUENCING EMPLOYEE BEHAVIOR, *by Richard P. Calhoon and C. A. Kirkpatrick. McGraw-Hill Book Co., New York. 1956. 312 pp. $4.*

Reviewed by Leslie M. Slote*

Here is practical advice for the neophyte entering the first echelon ranks of supervision, or for the experienced manager seeking a fresh approach to the human relations problems of supervision. This volume should be equally useful to the reader responsible for a supervisory development program in his company.

The authors cover the so-called intangibles of successful supervision. Their major premises are that a supervisor's first responsibility is to influence employees to get the work out, and that this is a function of his communications skill. They say: "*Favorable reaction and action* are the acid test of the supervisor's success. Supervisors who try to influence but obtain no results are mere talkers, not supervisors."

Prof. Calhoon and Prof. Kirkpatrick strive for a better understanding of employee behavior by showing that each person brings to his job his emotional and mental makeup, his church, school, and family background, and his home problems. Therefore, a constant job of selling is required to motivate employees, gain their willing acceptance, and direct them to accomplish results. This book shows how an effective *sales-interview type of approach* can be used to sell employees on management objectives. It explains in detail how the supervisor ought to plan and tell his story, demonstrate his proposal, dispose of resistance, and then clinch the "sale" by getting the employee's commitment to think or act as the supervisor has proposed.

The authors point out that resistance and opposition are quite natural and are encountered constantly. They show that the approach to these problems is through understanding of cause and effect, and then

* Leslie M. Slote is a management and labor relations consultant.

explain various techniques of preventing or overcoming objections. This is quite different from the school of thought that believes in fearing, ignoring, or suppressing employee reaction, rather than anticipating it, bringing it into the open, and dealing with it effectively.

This is an excellent text for group discussion and training, particularly with the role-playing exercises at the end of each chapter. The authors could have tempered their factual, logical approach with more exciting case histories and dramatic instances of successful applications. They go into considerable practical discussion of effective employee presentations and demonstrations, showing how to use visual aids. However, they neglect to take their own advice: there isn't a diagram or sketch in the entire book.

The authors, realizing that the body of knowledge they have compiled can only be useful when put into practice, conclude their book with a program of self-improvement for the supervisor. They recognize the fact that most of the supervisor's problems are in human relations, rather than the area of technical know-how, and that supervisory development is largely a calculated program of self-improvement.

Forty Years of Economic Prosperity

How far have we come economically since 1915? Using the barometers of population, consumption, investment and technology, and government and debt; the National Industrial Conference Board has been able to chart graphically, the exact advances of industry. Then, with past progress as a guide, a schedule of future economic activity is drawn. The point of this comparison and the theme of the book is that this "long look" back, put side by side to the "long look" forward, makes crystal clear the dynamic expansive potential of industry.

NATIONAL INDUSTRIAL CONFERENCE BOARD, *460 Park Ave., New York 22, N. Y. 32 Pages. $1.00.*

Electronics in Management

This book, adapted from the proceedings of the first Institute on Electronics in Management at the American University, deals with the changing problem areas of office electronics. It has a heavy emphasis on government computer installations, and contains some excellent discussion of the pitfalls of automation. It also covers familiar guides for selecting equipment, estimating costs, training personnel, and computer applications. A special feature is a bibliography of recent automation articles.

Edited by LOWELL H. HATTERY, GEORGE P. BUSH, *University Press, 1621 Connecticut Ave., N. W., Washington, D. C. 207 Pages. $6.00.*

Introduction to American Business

Intended as a college text, this extensive volume deals in almost every conceivable aspect of the business picture. Its 34 chapters are broad enough to be effectively informative.

FERDINAND F. MAUSER, DAVID J. SCHWARTZ, JR., *The American Book Co., 55 Fifth Ave., New York 3, N. Y. 660 Pages. $6.00.*

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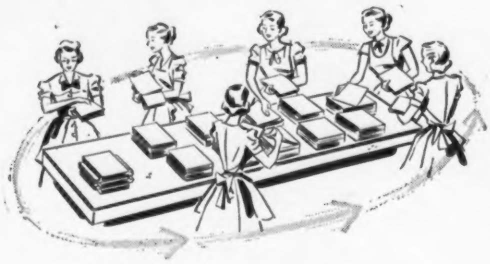

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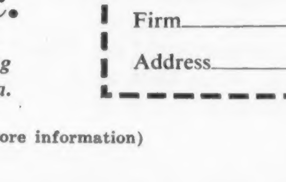

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paper work management

Eight ways not to use punched cards

Here is the accumulated experience of companies who misapplied a machine accounting system. If you contemplate such a system, or want to check the value of your present tabulating set up, these "boners" will serve as a handy check-list.

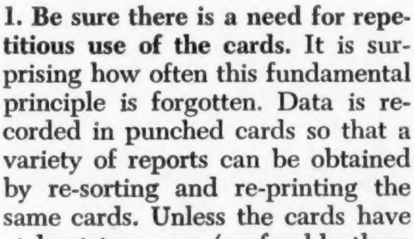
by W. R. Anderson, C.P.A., Chicago

Electronic data-processing equipment has not pushed the punched card system out of the field. To the contrary, more applications of punched cards are being planned each year—some in conjunction with electronic equipment.

For the many companies planning these installations, nothing could be more useful than the practical words of advice that experienced punched card users have accumulated in their experience. In the following cases, company names have been withheld to protect the embarrassed.

1. Be sure there is a need for repetitious use of the cards. It is surprising how often this fundamental principle is forgotten. Data is recorded in punched cards so that a variety of reports can be obtained by re-sorting and re-printing the same cards. Unless the cards have at least two uses (preferably three or more), punched cards are impractical in value.

After extended deliberation, a small metal parts manufacturer planned a tally of shipments by part number. At the same time, a soft goods manufacturer finally decided to summarize incoming orders by style number and sizes. Both companies were warned that no savings would result from one-time use of cards. Both insisted they wanted to make a limited trial, then would expand if the test was successful. In each case, the trial lasted less than 30 days. They found that punching, sorting, and tabulating cards took longer than a manual tally, and abandoned the test. Both are now outspoken—and certainly unfair—foes of punched card procedures.



2. Make sure there are not too many exceptions to a routine in the application. This consideration, an absolute in applying electronic computers, is almost as important in plans for tabulating equipment. Accounts receivable is one of the less logical of punched card applications. One customer wants statements in triplicate, another no statement. There are returns, adjustments, allowances, partial payments, and delinquencies.

Despite the heavy odds against success, one western appliance maker decided on tabulating equipment for accounts receivable—sending all original data to a service bureau! The experiment lasted only a few months, but cost the company many thousands of dollars in excess costs and, more important in customer ill-will.

An industrial equipment manu-

facturer used semi-automatic equipment for domestic billing of service parts, but is wise enough not to try it for export billing. Their experience indicated the high cost of individualized handling of shipments to many different foreign countries. Export sales, aggregating 10% of domestic sales, would have required *three times* the billing cost in personnel and equipment rental, if punched cards were to be used.

3. Use only for proved routines. A defense subcontractor installed punched card machines for production control. Procedures were carefully planned for several months, and rehearsed in detail with all supervisory personnel. One basic point was overlooked—some cards were handled by men whose hands came in contact with chemicals. Each day a few cards became moistened with non-drying chemicals, causing sticking of cards which resulted in sorter jams. It

took several weeks to revise procedures to eliminate this problem.

4. Don't apply to any procedures with incomplete files. One medium-sized firm, using their equipment for payroll and labor distribution, decided to go one step further and make a quarterly comparison between actual production and standards used in determining merit increases. The resulting reports were somewhat fantastic—some men showed an apparent efficiency of 400 per cent.

A subsequent study showed hundreds of errors in these standards, usually misplaced decimal points, which had been caught by the man making a manual analysis, but never adjusted in the basic files.

5. Don't expect overnight miracles. Almost any executive will admit that it takes six months' experience or more for the average clerk to do a complete and competent job in handling the average clerical position. Still, it is amazing how many executives expect a smoothly running punched card installation in 60 days, and look for major savings soon thereafter.

One large company installed a payroll system and had it operating efficiently in 30 days, but in the process created animosities between employees and the manufacturer's personnel that persisted five years later. Wise is the management which allows a few months for personnel to become familiar with machines and procedures, and requires several "dry-runs" using a previous month's data for practice.

It is possible to save money the first year, but not probable. For the average company, two choices are given:

(a) Start slowly, spending several weeks in instruction of all operators in the use of the equipment and in the details of procedures. Using a previous month's data, go through the routine completely at least twice. Begin the actual conversion of day-to-day operations by taking a small operation and gradually expanding. In this period, machine rentals and operator salaries will be high in proportion to results that will be accomplished.

(b) Mechanize a good-sized function completely, but be prepared to pay the cost of heavy overtime or a second shift for a few months.

6. Don't expect to get everything you got in manually prepared reports, in exactly the same format. Some reports may be eliminated entirely; others may have to be rearranged or condensed for the sake of efficient preparation. Be prepared to accept code numbers, abbreviated descriptions, and other devices necessary for speedy data processing. Consult with local service bureaus using the same type of equipment, and consider the possibility of using their standard control panels. (One manufacturer charges $120 or more for a control panel that requires several weeks to obtain from the factory; another uses "pluggable" boards, but charges a justifiably steep price for a technician's time to wire and test it. Incidentally, the latter company is now using fixed boards

(Continued on page 95)

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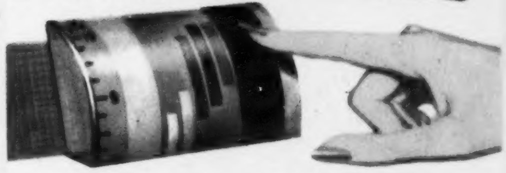

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Service bureaus can be a lifesaver in emergencies. A large distributing company had such an emergency, and was delighted with the prompt assistance it received. After an unsuccessful study to find additional applications for their equipment, they found it was cheaper to give up their equipment and send their payroll problems to the service bureau.

7. Don't use in applications where a few hours delay is serious. Punched cards are efficient where there is an adequate volume for bulk handling of data. That sometimes necessitates waiting until a worthwhile batch has accumulated.

A large clothing manufacturer tested punched cards for service parts billing to dealers, but found that emergency orders were delayed, and stock-pickers were alternately idle or swamped much of the time because of the sporadic output of orders by the tabulating department. They went back to typed orders.

Another company tabulated internal orders and sales invoices for shoes. Bulk stock orders were no problem, but rush orders for one or a few pairs were delayed precious hours, which often added a day to delivery time. At last reports, they were trying to decide between punched cards economies and the same-day service on which they prided themselves.

8. Don't make the tabulating department a catch-all for odious or fanciful reports, just because the equipment is there. This has been a principal cause of failure of tabulating departments for many years. Let's consider the case of the food processor who installed punched card equipment for payroll and labor distribution about 1948. All went well for about two years. Then a whimsical management and an enthusiastic machine salesman combined against a too-accommodating (or weak) tabulating supervisor. They loaded the department with a variety of semi-necessary special projects, most of which were to be completed about the 5th of each month. The whole installation ground to an agonized halt. The company now prides itself on its fine manual system, unhampered by any equipment more complicated than desk calculators. m/m

How to fight the "Discount House"

This company found that discount sellers were poisoning sales vigor. Management attacked the discounters with bold action. The result: a new surge of selling incentive—and an increase in sales.

Why do businessmen succumb to the temptation of the discount sale? Basically the answer lies in the promise of quick profit and fast turnover. Yet these advantages often create disadvantages that make the discount sale the instrument of company ruin.

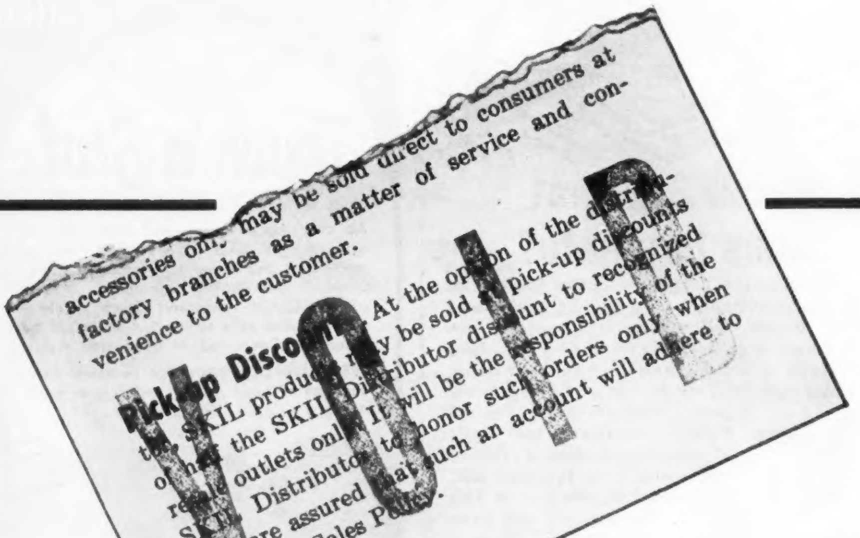
The Skil Corporation, manufacturer of portable power tools, found that a single clause in its sales policy was generating just such a situation. The clause permitted franchised distributors to split discounts with non-franchised distributors who had occasional calls for Skil products. This policy was crippling the over-all effectiveness of the company's sales program. By eliminating it, the company found its whole marketing operation surging forward with renewed vigor.

What happened

The Skil marketing setup is based on 35 factory-owned sales and service branches in the U.S. and Canada. These branches maintain contact with a national network of 4-5,000 independent distributors. Although the company operates its own sales force of about 100 men, the job of face-to-face selling falls right in the laps of the independent distributors.

Before January 1955, with the discount clause in operation, several discouraging signs were in evidence. Distributor incentive was at a low level. They were forced to compete with every resale discount outfit in their territories, since each of these was in a position to pick up a Skil product at half the dealer discount whenever it could sell one. Because these discount dealers had no stake in stock or overhead to handle the Skil line, they could cut their prices. The over-all effect was to force the Skil distributor into a reduction of his own prices in order to compete. Instead of a fixed national price, the price of Skil products "found its own level" locally.

In some territories, competition even developed among Skil distributors themselves to get the business of the discounters. This resulted in some offering the dis-



Voiding one sales policy paragraph put teeth into Skil Corporation's program to cut out discount sales.

When prices decrease, the distributor must increase sales to come out with the same profit volume. For example, if profit margin is 20% and discounts pare price by only 5%, the distributor must increase his volume of sales by 33 1/3% to maintain the same profit.

counters more than the 50% split discount allowed by the sales policy. Some distributors found this arrangement profitable, but the total picture, from the company standpoint, was bleak. Instead of sales going ahead through a positive sales program led by a hard hitting force of profit-oriented distributors, the company found itself unable to control an erratic, drifting sales picture.

How they fixed it

A "profit stability" policy was inaugurated in early 1955 by Skil top management. The objective was to provide a standard, good profit to each of the company's distributors every time he made a Skil sale. In this manner, the company hoped to give back to the distributor his incentive to push his own consumer sales of Skil products, and to provide the company with a chance to influence distributors with company-originated sales and promotion campaigns.

The policy was begun in the two most blighted sales areas, the Northeast and the Pacific Coast. New formal sales policy brochures were issued. These, in fact, were copies of the old policy with the paragraph on pick-up discounts boldly voided with a rubber stamp (Figure 1). Skil branch salesmen called on the distributors; they explained the company's new position and the intent to remain firm on the new policy of allowing no more split-profit selling.

The initial shock of the program brought a wave of resignations from distributors who were responsible for the largest percentage of discount sales. Others agreed to the new arrangement with misgivings. There were drop-offs of business in some trade areas. Distributors operated cautiously, waiting to see if the new policy would catch on.

After the shock, however, most of the distributors caught up the enthusiasm of the company and ran with it. Sales went up (industrial line sales went up 20% in 1955) and the distributors volunteered reports of success.

The reaction

In New York State, for example, where Skil had previously had a big discount problem, a total of 81 distributors was dropped. At the same time, sales for 1955 in the state fell just short of being *double* the 1954 volume, with prospects even brighter for 1956.

Four Skil branches on the Pacific Coast reported sales increases for the year of 54%, 50%, 29%, and 13%. Outside distributors began to make inquiries to the company for franchises. Many of them have since been granted these now valuable franchises.

As soon as the benefits of the new policy became evident, the profit stability program was instituted in other marketing areas. Recently, full conversion has been completed, with the Southeast and Southwest the last marketing areas to come under the influence of the profit stability policy.

Skil has held sales conferences across the country to check distributor reaction. Typical of the reactions to the new policy were these remarks garnered from distributors at some of these meetings by William K. Downey, vice president in charge of sales:

"The new . . . policy has injected new life into the selling of . . . portable power tools."

"What's the use of doing business if you can't make money—you can't just trade dollars."

"Our salesmen are selling . . . with confidence that they will not lose a sale to competition because of ridiculous discounts. That's the way to do business."

"Sincerity, service and honesty with the customer can beat price."

"We have reviewed the gross profit of all our lines and are happy to report that as a result of the Skil policy, power tools are now one of our key lines in gross profit and volume."

The results

Although the results of this new policy are far from being accurately tabulated, there are several significant signs of its success. In the first six months of 1956, sales of Skil industrial tools increased 10% over 1955. The increase appears most apparent in those areas where the profit stability program has been in effect longest.

Profits are likewise not so easily attributed to the new policy, nor are they yet fully tabulated. However, the company feels that the policy is helping to reach the ultimate objective of fewer distributors selling more merchandise. They feel profits will increase substantially as this arrangement improves, because sales cost will be down per dollar of volume, and other costs, such as bookeeping, collection, outbound freight, will also decline proportionately. In junking the quick sale through every dealer with a single customer and building a network of fewer but stronger distributors, the company hopes to insure its future growth on a more solid foundation. m/m

WHY PROFIT STABILITY PAYS OFF

GROSS MARGIN	20%	25%	30%	35%
IF PRICE CUT	*Additional volume to maintain equal dollar profit*			
5 %	33-1/3%	25%	20%	16%
7-1/2	60	43	33	28
10	100	67	50	40
12-1/2	165	100	71	55
15	300	150	100	75
20		400	200	133

Mergers

(Continued from page 29)

meet his desire for safety of principal. He withdrew from negotiations.

The fourth prospect was a corporation which Mr. A admired. The consultant realized that only if this prospect could visualize the future growth of Mr. A's company would it reach Mr. A's price.

The consultant offered a solution. He demonstrated that the land and buildings of Mr. A's company were carried at values considerably below current market prices. This accounted in part for the high asking price. The consultant persuaded the prospect to buy all the other assets for cash, and lease the plant from Mr. A's corporation for a term of years. Mr. A agreed to remain in charge for a minimum of five years.

The final result satisfied the requirements of both parties and the sale was consummated. The purchaser bought the company's inventory and machinery at essentially their book values while Mr. A receive the increment over book in the form of retaining the "undervalued" land and buildings. Both parties were pleased with the outcome.

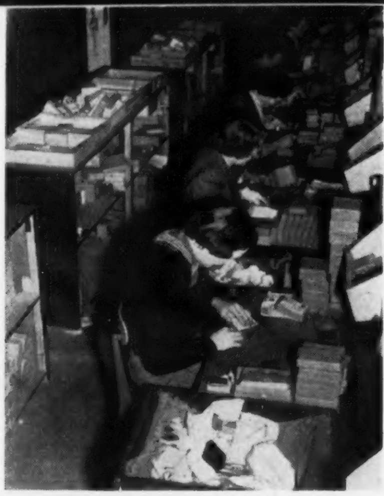
All of the above negotiations involved a period of about 14 months. Even simple transactions such as this are seldom quickly consummated. The intermediary's fee, paid by the seller for such service, was contingent on the successful completion of the merger, and represented only a small part of the higher price the seller finally obtained for the business. m/m

ABOUT THE AUTHOR

W. T. Grimm is president of W. T. Grimm & Co., a financial consultant firm specializing in the negotiation and placement of long-term loans with institutional investors. He was formerly associated with Kidder, Peabody & Co., and prior to that with the First Boston Corporation.

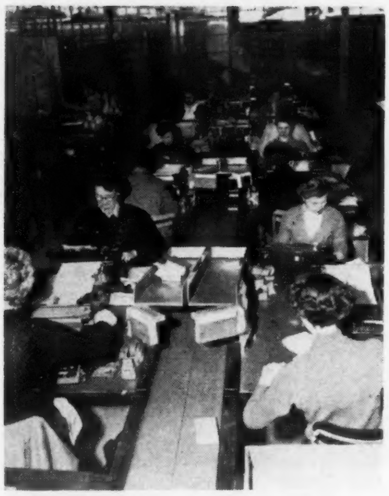

MONROE
'800'

ideas from abroad



1 Lighters arrive by chute, are unpacked, placed on conveyor.

A conveyor system links office and shop operations



2 An estimate is prepared, then typists write order, invoice.

[redacted] SURREY, NOVEMBER —A single conveyor line that connects all operations—clerical and shop—speeds the repair operations at Ronson Products, Ltd., British counterpart of the American firm.

From the time a damaged lighter arrives in the mail, it rides a belt through each step in the service process, until it is packaged and on its way back to the customer.

The lighter arrives by chute, is unpacked and placed on the conveyor with customer's letter. It moves to estimator who attaches estimate sheet, then is conveyed to typist where order sheet and invoice are prepared. Next to a control center to be batched with other lighters to form work lot for one of the mechanics stationed along the belt (light signals keep workload evenly distributed). When repaired, the lighter goes to inspectors, finally to mail clerks for immediate delivery to the post office. m/m

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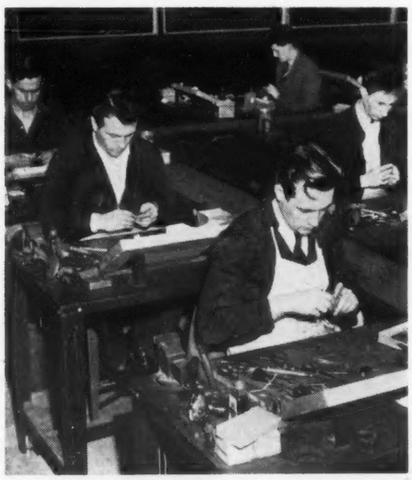
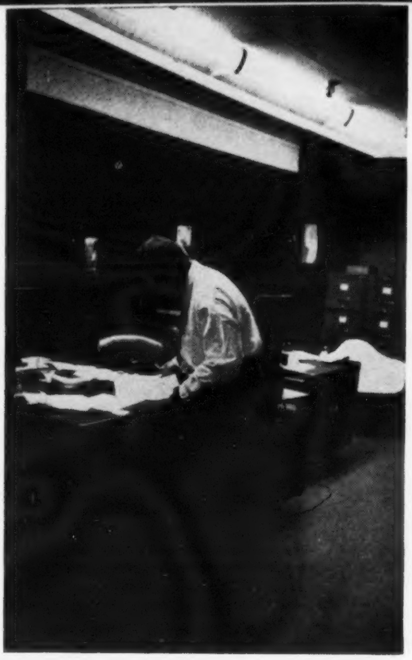
The material for this article was supplied through the courtesy of the British Information Service.

3 Work lots of damaged lighters move to mechanics for repair.



4 Repaired lighters are checked and tested at inspection area.

5 Finally, re-packaged lighters are dispatched to post office.



"Before I delegated, I worked 18-hour days."

 (*Continued from page 45*)

a real temptation to rationalize that I'd have to run the business myself, after all."

Instead, he refused to become involved in such problems, and re-emphasized that when he delegated responsibility and authority, he meant it. Once this became clear, Glaser found that it was not long before his team was beginning to run with the ball.

The committee approach

All was not smooth sailing, however, in setting up the management organization. For one thing, none of the people in manufacturing was qualified personally to assume responsibilities as director of manufacturing. Glaser was still handling these duties personally in mid-1953. But now he searched around outside the company and found a man to take over.

Careful efforts, both on the part of Revell itself and its consulting psychologists, went into the selection of the new executive. But eight months later it was clear that the selection had been out of line with the company's current needs.

A new director of manufacturing was brought in. This man had heavy experience in plastic molding and factory management. But despite the fact that he contributed usefully to the job, the basic problems were still not solved, and the second director of manufacturing resigned a year later by mutual consent.

Thus, as recently as early 1955, Revell still had an important management post unfilled and Glaser's program of management building was in danger of breaking down. As Glaser saw it, he was in the inevitable position of being forced to either bring in a third manufacturing director or again assume direct charge of the manufacturing function himself.

He analyzed both of these alternatives, decided that neither was satisfactory. What he needed, he realized, was an entirely new approach, but he could find none.

Then he began to wonder if he really was the best person to attempt to solve this problem in the first place. He reached the conclusion that the men who had worked under the two former manufacturing directors were in a better position to decide how the operation should be managed. So Glaser decided to drop the problem squarely in their laps.

One at a time he called to his office the six men who had reported directly to the manufacturing directors (quality control engineer, assembly superintendent, purchasing agent, molding superintendent, toolroom superintendent, and production and inventory control manager). He outlined the dilemma and said that they as a group were to determine a course of action and set up an organization which would solve the problem. Glaser emphasized that their solution would have to be one that would not include their receiving any direct supervision or aid in decision-making at the operating level.

A meeting was scheduled for a report of the group's recommendations. In the meantime, the six men studied the problem, decided that each would submit his own individual recommendation, unsigned and in sealed envelopes.

The meeting was held in a large bungalow at a nearby resort. Together with the manufacturing group, senior members of the company's management were on hand, as well as a representative of Revell's consultant firm. It was made clear, however, that the six men from manufacturing were to work out their own solution; the top managers and the consultant were present only to answer questions and approve the final plan.

It took nine hours for the manufacturing group to unanimously agree on a recommendation. The quality control engineer, they said, would report to the chief engineer and the remaining five men would operate as a "Manufacturing Committee." They would meet at least once a week and rotate the chairmanship each month.

Glaser was at first uncertain of the workability of such an arrangement, but when the group assured him that they could overcome the intrinsic drawbacks of committee action, Glaser gave his approval on the condition that any time the committee could not make a unanimous decision, the matter would be referred to him.

Currently the self-styled Manufacturing Committee has been in operation for over a year-and-a-half. Its success is evidenced by the fact that not once in this time has it been necessary for an unsolved problem to be referred upstairs to the president's office.

Glaser believes that the plan has succeeded because "we had the courage to be different and because we insisted that the people most concerned with the problem solve it themselves."

He points out that an added benefit of the committee approach is that he now has five men gaining valuable management leadership experience.

The growth of Revell's operations today shows a renewed need for a single director of manufacturing.

"When the suitable individual is found," says Glaser, "he will have ready for him a smoothly working staff, consisting of the present manufacturing committee members. He will be able to concentrate his energies and skill on the new problems arising from continued expansion. Until this man is found, however, the committee will continue to function authoritatively and successfully."

PROBLEM NUMBER 2: Inadequate Communication

How a program of executive development was used to solve a communications problem.

In the beginning, when he first began to delegate management functions, Glaser saw that the task called for more than simply assigning responsibility and letting it go at that. It remained for him to provide a personal, coordinating leadership.

He provided this leadership without too much difficulty. But he found that major weaknesses remained.

First, there was a serious lacking of workable channels of communication among the individual management members. Although for the most part they were handling their own specific responsibilities successfully, there was little fluidity within the organization. Each was, in a sense, growing into a management specialist in his own field. Glaser had set up a team, but there was as yet very little teamwork. But he wanted his management group to participate in solving general management problems, so that more of his own time could be left free for long term planning. His problem thus was to stimulate the managers to close ranks and unify their efforts rather than to function solely as heads of separate and distinct company operations.

Furthermore, Glaser realized that a thorough program of executive development was needed if the young men whom he had upgraded to executive posts were to function at a satisfactory level. These men had been selected on the basis of their potential management ability. But latent abilities had to be brought to the surface.

THE ANSWER:

Early in 1953—soon after forming the central core of his management—Glaser set out to overcome the first of these problems—that of stimulating the management group to communicate among themselves. His initial effort was to set up a regular weekly meeting of the management staff.

These meetings were a clearcut flop. Glaser found himself doing all the talking. Hard as he tried, he could not stimulate the cross-current of freely expressed thought and brainstorming he was after. Temporarily stymied by this specific problem, Glaser turned for guidance to the psychological management consultant he had retained.

The consultant had been contacted a short time earlier to help in recruiting executives and in evaluating men within the company who seemed suitable for upgrading (see Problem Number 1).

Once some background had been communicated to the consultant, and the consultant had won the confidence of his client, the two began to work out a long-range plan of problem-solving action. The consultant had convinced Glaser that the company's management problems could not be viewed only in terms of the two dimensions of (1) the men who were members of the management team, and (2) the requirements of the jobs they were supposed to fill. There was a third dimension, said the consultant, consisting of the make-up and personality of Glaser himself, his top management people, as well as the total "personality" and environment of the company.

On the basis of these preliminary discussions, the consultant's program was broadened to include not only helping to select and place key personnel, but also to:

- *help Revell to continuously develop its key people*
- *help in integrating and coordinating the activities of key personnel so that they would function more effectively as a team*
- *help in evolving an administrative structure and leadership practices conducive to long-range stability, vitality, growth and profit*
- *help the people within the company to grow in management knowledge, and also in psychological knowledge as it applied to the job.*

Says Glaser: "Our company, with the help of the consultant firm, was entering an entirely new level of management thinking. Without such outside help, it is unlikely that we could have reached this stage of thinking for a good many years."

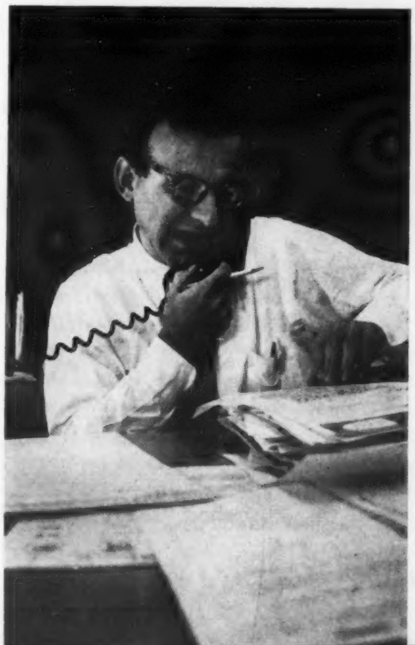
The consultant's program was discussed in detail with the management group before it was approved. Then it was placed in immediate operation.

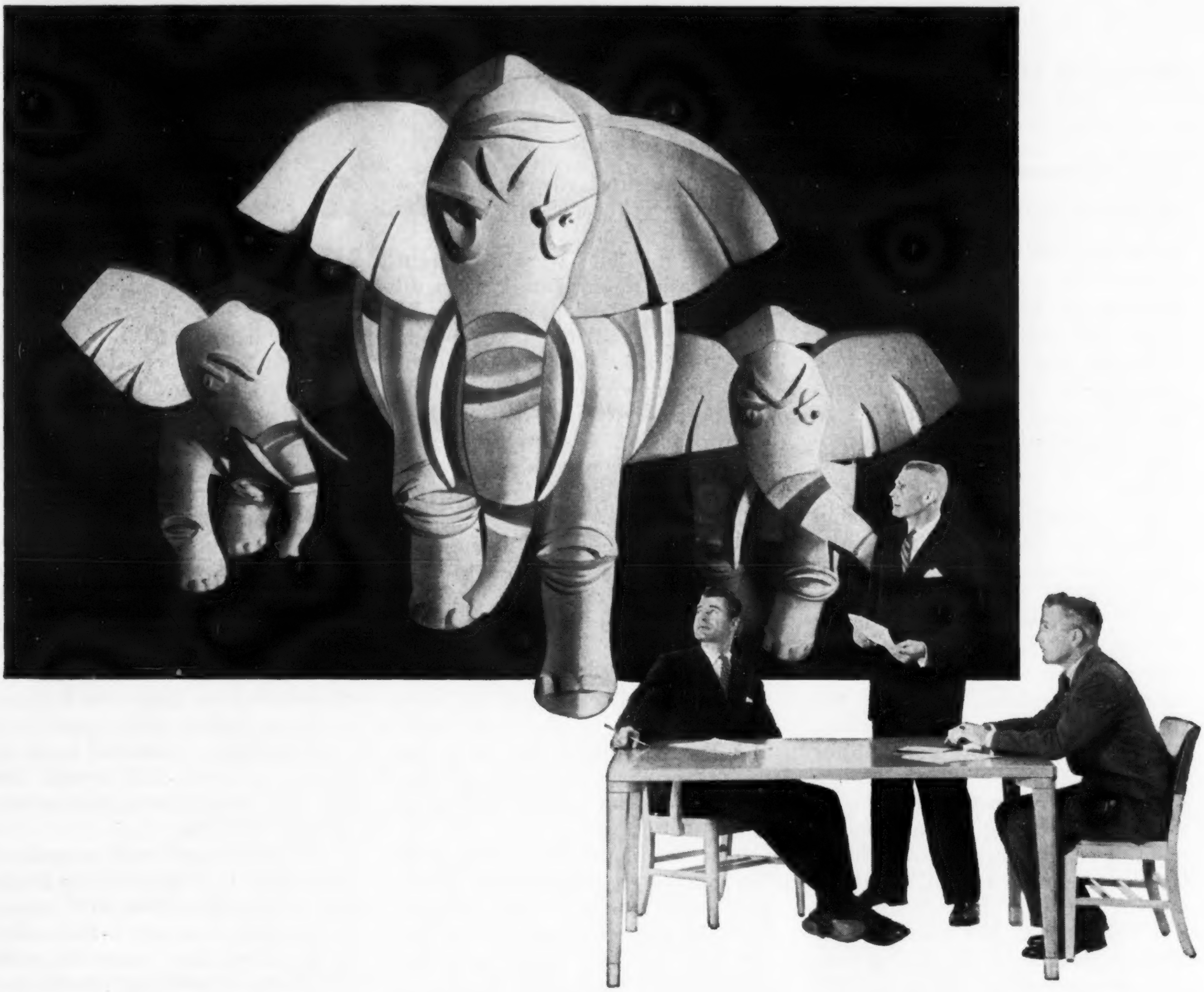
First the consultant recommended that action be taken to uncover the true environment and management capacity of the company. His recommended method was psychological evaluations of the top management group. The recommendation was accepted, and Glaser himself was the first to undergo evaluation, which consisted of a three-hour interview followed by tests dealing with intelligence characteristics, emotional make-up, human relations skill, insight into self and other people, and administrative abilities.

The results of each executive's evaluation were written up in detail, and supplemented with general recommendations for self-development. Then they were discussed confidentially with each individual.

The evaluations became the basis

"This was a new level of management thinking."





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for a program of continuing, personal and confidential development counseling for each key man who was interested in obtaining such help. Further, the confidential interviews provided the consultant with an over-all picture—in depth—of the inter-personal relationships within the top management group—the misunderstandings, tensions and frustrations that, as in any work group, were arising as individuals occasionally "bumped egos" in daily contact on the job. Such behind-the-scenes knowledge has proved valuable to the consultant for two reasons, says Glaser. First, it has helped to guide the efforts aimed at bringing about smoother team play. Second, it has helped in selecting outsiders for important jobs within the company: the consultant can contribute insight into what type of individual has the best chance of success in the Revell environment.

"Do our methods work? Well, look at the result."

Basis of management development

Psychological evaluation now forms an underlying base for Revell's over-all management development program. It has been expanded to include all of the company's 30-odd people at the first, second and third levels of management. In fact, Glaser has been so impressed with the effectiveness of this approach that he has moved it a big step further. Once each week a psychologist member of the consulting firm spends an entire day in Revell's executive offices. For most of the day he is at the disposal of any member of the management team who cares to confer with him. Individuals seek his counsel primarily in connection with their own self development, but also to obtain guidance in solving a wide range of problems they face in their day-to-day work.

Glaser himself spends several hours every two weeks with the industrial psychologist, reviewing his own management growth and development, as well as studying the company's organizational problems and programs.

"Many people ask us if it isn't expensive to make such heavy and continuous use of our consultant," says Glaser. "The answer is that, in terms of results, it is just the opposite. We've found it is one of the best investments we can make. The return is in the form of a constant increase in the level of management skill and teamwork."

Does the consultant, due to his advisory capacity, wield an undue amount of influence over company decisions? Not at all, says Glaser. His job is to provide the decision-maker with knowledge of how the decision or action will affect the company from a personnel, human relations and organizational point of view.

"Our consultant talks confidentially with everyone within our management," says Glaser, "to enable him to develop insight into our people as a group."

Glaser says he is the first to admit that his method of using an outside consultant and his psychology-based management development program probably would not produce equal results in any company. These methods work for Revell because he and the company have become "people oriented." The interest comes first, Glaser says, then came the results.

This orientation began to stimulate the management group to begin communicating among themselves. Glaser by his own efforts had failed to conduct effective management meetings. But now the weekly staff meetings began to come to life. Partially because a member of the consulting organization began sitting in as a "catalyst," the various executives began to discuss their own and each other's problems freely and openly. With this initial stimulus, the pattern of general open discussion was set and the basic purpose of the meetings—a free exchange of information and ideas—was reached.

Says Glaser: "Now we discuss such matters as capital acquisition, building or acquisition of new plants, industrial diversification, sales policies, personnel policies—everything. Although the responsibility and authority for decisions regarding major policy matters remains mine, there is practically no case that I can remember where any decision has been made by me contrary to the majority or unanimous feeling of the group."

Particularly during the last 18 months, the management group has been made more self-coordinating, requiring less of Glaser's time. He makes a practice now of delegating important problems to committees composed of cross sections of the top management team. Committees

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study problems, make recommendations. For example, he poses questions like these: Should we change from a divisional to a functional type of organization? and: Should tool room employees be on a wage rate or salary? Glaser has found that when managers, regardless of their own specific duties, deal with general and specific problems such as these, the danger of departmentalized thinking is overcome.

Mid-management operations

Glaser's success with the group management approach to problems at the top management level has prompted him to set up a similar program for middle management. First a general framework for a series of mid-management meetings was worked out. The plan called for Glaser to attend only the first meeting.

At this session Glaser gave a brief talk on the history of the company and how the management organization had evolved to its present refinement. He then asked that the participants, called the Operations Group, meet for two hours every other week.

Glaser was careful not to specify any actual goals to be reached in the meetings, or specific tasks to be performed. Further, he left the group to settle on its own organizational structure. He did, however, arrange for Revell's employee relations manager and a representative of the psychological consulting firm to be present at the first four meetings, with the understanding that they would drop out after that time unless it was found that their continued presence was needed and unless they were specifically asked by the group to continue to attend.

The operations group sessions have now been continuing for well over a year and a half. Only the employee relations manager has been retained as a permanent participant. An organizational structure and rules of order for the meetings have been set. The group has recommended a number of programs for management consideration.

Says Glaser: "Ours is a young management, both in terms of the time it has been in existence and in terms of the ages of the members of the team. Few of our executives are over 35. Most are in their late 20's. We don't have a vast background of experience in management practices. As individuals, we frankly admit that we don't know all the answers. But by working diligently to strengthen our own management skills and knowledge, and by combining our efforts when we deal with the various problems of our operations, we've found that we can fill many of the gaps."

PROBLEM NUMBER 3:

A Need for Specialists

How outside experts are used to increase effectiveness of the company's own staff.

From the beginning, Glaser emphasized one point above all others to the men who became members of his management group. They were, he explained, to function with him as true administrators. They were not to compromise their administrative responsibilities in favor of becoming merely the top specialists in their respective departments. If anything was to be compromised, it was to be their functions as specialists.

This policy resulted in the strong, flexible and broad-gauged management that Revell now possesses. But it also presented a shortage of high level, professionally qualified experts in certain aspects of the business. And as the operations of Revell, Inc. expanded and became more complex, the services of such specialists became vital.

Glaser found that the most suitable means of filling this need was the retention of a broad range of outside counseling and service organizations. Doing so provided many advantages: the outside firms were in a position to contribute efforts economically impractical to attempt internally.

But making such extensions of a company's own staff, as Revell has done, has its problems. First there is the problem of isolating requirements: How do you determine that a need for outside counsel really exists in a certain area of the business? Then there is the problem of selection: How do you determine which specific counseling or service organization is best suited to work with you? Finally, there is the problem of integration: How do you insure a favorable working relationship between the internal staff and the outside specialists?

"We need both administrators and experts to get results."

President Glaser has worked out the answers to these three problems on a basis consistent with his overall management strategy. He again uses the group action approach successfully.

THE ANSWER:

When a potential need for outside counsel becomes evident, the top management group comes together to discuss and analyze the need. But the process doesn't stop there. Further staff meetings are

held that include lower levels of management, and even operating personnel who would be directly affected by a decision to retain outside help.

The purpose of these meetings is to apply as wide a scope of thinking to the decision as possible, and also to make certain that there is no misunderstanding as to why outside help may be necessary.

These exploratory sessions continue until a clearcut picture emerges of the true problem and the possible solutions to it. If the answer seems to be the use of outsiders, then a search is undertaken to find the right firm. This search does not occur, however, until the preliminary and detailed analysis of the problem is complete.

"We approach the problem of selecting outside specialists in a manner similar to the way we approach the selection of qualified key persons for our own staff," says Glaser. "We obtain recommendations. We check listings and other sources. We make sure that the firms under final review are competently qualified in the specialized area of our need, and in their general field."

Glaser states that all of the time and effort that goes into the preliminary analysis is eminently worthwhile. It does more than merely solve the problems of determining need and making the best selection; it also results in a favorable relationship between inside staff and outside specialists.

"By the time a firm is called in," says Glaser, "our people understand all the reasons why—because they have participated in the analysis of the problem from the beginning. They are aware of the benefits to be gained."

Since the business first began to grow, Revell has made use of perhaps a dozen outside specialist organizations, some on a continuing basis, others for short-term programs. In addition to the psychological management consultant, the list includes public relations counsel, profit sharing specialists, will and estate planning, a second management consultant (short term), a market research organization, a factory locating service, packaging design specialists (retained through its advertising agency), a foreign tax attorney, as well as attorneys in Germany and England.

Revell's export business has been spiraling, yet the company has no export manager on its own staff. The reason: Glaser has found that in his case the most suitable arrangement is to have an outside organization, specializing in export, carry out the functions of export manager.

An example of how Glaser has combined his group action approach with the services of consultants is demonstrated by the evolution and workings of Revell's New Products Evaluating Committee.

Glaser began working out a program of product development in 1951. His initial effort was to bring various people together on an informal basis to discuss, plan and continuously refine the designing and merchandising programs. Later these meetings became more formalized and, after two years, the New Products Evaluating Committee came into being—with an outside hobby consultant taking part as an official member of the committee. Three times a year the committee now comes together for several days to chart long-range plans. Between these major meetings, the members meet at frequent intervals to review progress.

Glaser is now convinced that brainstorming sessions, group action and use of outside specialists are management methods that are indispensible to a growing organization. Perhaps the key to his success in combining these methods is that he continues to maintain personal control. The majority does not necessarily rule. Although decisions are usually made by consensus, differences of opinion naturally occur. When such differences remain after thorough analysis of a problem, Glaser himself makes the final decision—not on the basis of compromise, but on the basis of his personal judgment, after weighing and evaluating various different opinions.

PROFILE OF THE NEW KIND OF MANAGER

Revell Inc. has experienced rapid expansion during the past five years. The management of Revell could not have adequately controlled and stimulated such growth if it had shackled itself to old-fashioned, conventional ways of doing things. A management unwilling or unable to adapt quickly to changing conditions might well have been over-powered by the speed of such expansion.

In the past, dynamic growth of a small company like Revell would have been considered unusual. Today, in our fast-moving economy, it is no longer unusual. Similar growth patterns exist among companies of all sizes.

It is an unquestionable fact that one of the prime forces contributing to success in these hyper-growth situations is the modern concept of management being applied by today's new kind of manager—men like Lewis Glaser of Revell, Inc., who learn how to adapt proven principles of management to their own specific needs.

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707	716	725	734	743	752	761	770	779	788	797	806	815	824	833	842	851
708	717	726	735	744	753	762	771	780	789	798	807	816	825	834	843	852
709	718	727	736	745	754	763	772	781	790	799	808	817	826	835	844	853
710	719	728	737	746	755	764	773	782	791	800	809	818	827	836	845	854
711	720	729	738	747	756	765	774	783	792	801	810	819	828	837	846	855
712	721	730	739	748	757	766	775	784	793	802	811	820	829	838	847	856
713	722	731	740	749	758	767	776	785	794	803	812	821	830	839	848	857
714	723	732	741	750	759	768	777	786	795	804	813	822	831	840	849	858

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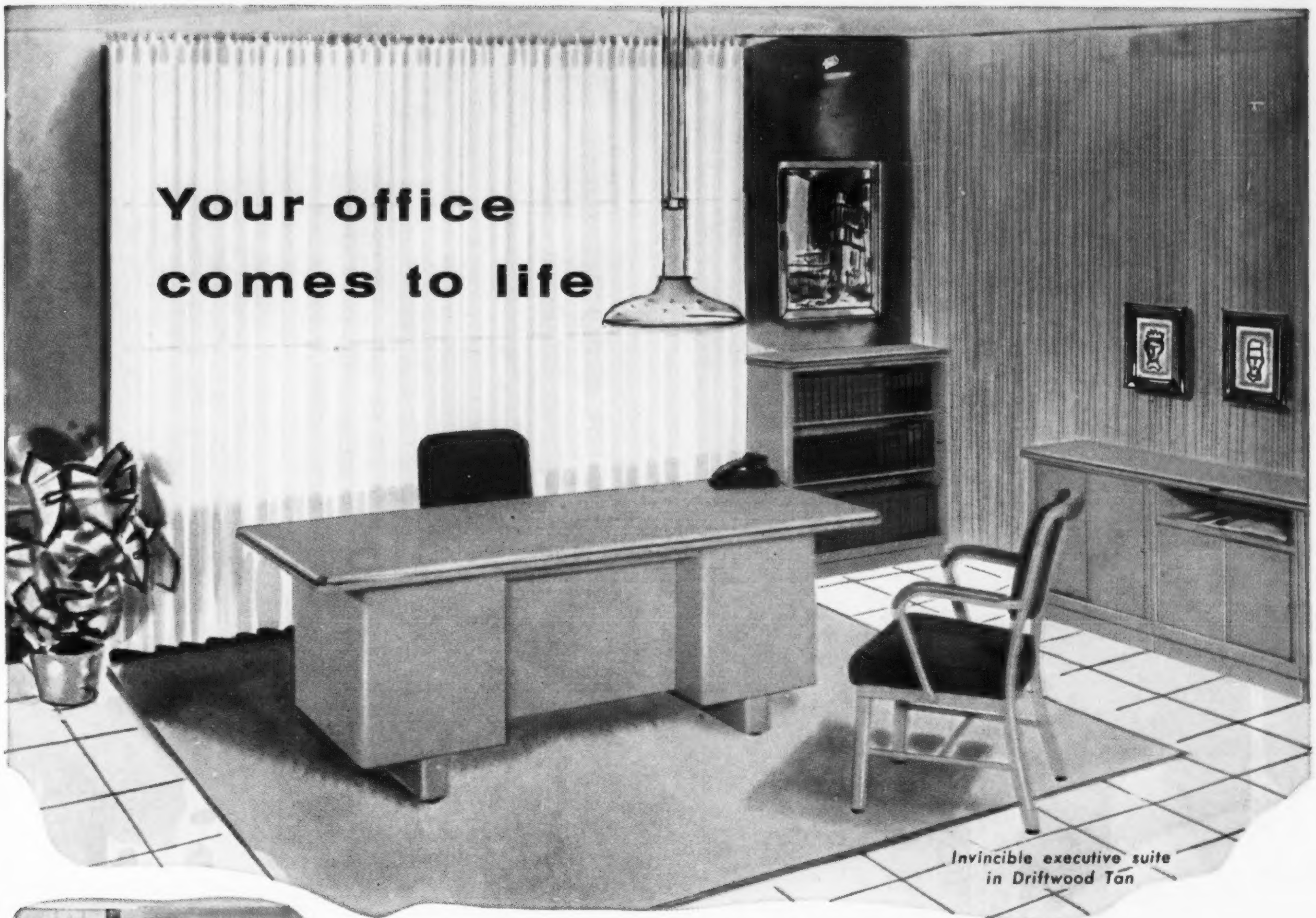

Invincible executive suite in Driftwood Tan

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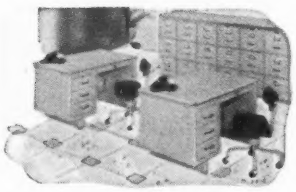
business-engineered in COLOR

The General Office



The School Office

The Operating Executive

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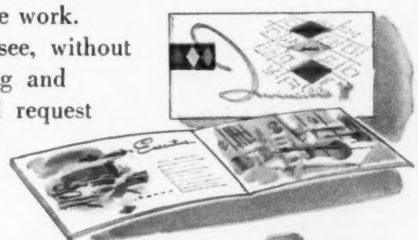

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